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FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY JUNE 15 1993

D6523A

## Serb forces close in on Bosnian Moslem stronghold

Bosnian Serb commanders pressing ahead with their offensive against Gorazde, eastern Bosnia, said their troops were just 150 metres from Moslem positions in the town, the last government stronghold in the once mostly Moslem east of the country. Radio messages from Gorazde appeared ready to attack following their claims that Moslem fighters were "slaughtering hundreds of Serbs" in surrounding villages. Page 18

**Split at EBRD:** Divisions at the European Bank for Reconstruction and Development surfaced at an inconclusive day-long board meeting as audit committee chairman Claes de Neergaard opposed plans for an early shake-up in the management structure. Page 8

**Tokyo investment falls:** Japanese overseas investment fell steeply last year, exacerbating economic difficulties in the US and other parts of the industrialised world. Page 4

**Securities body delayed:** The federal regulatory body to police the German securities industry is unlikely to be fully operational before 1995 or even 1996, it was disclosed yesterday. Page 16

**Car sales drop in Europe:** New car sales in western Europe fell to an estimated 973,000 last month, a drop of 17.9 per cent compared with May last year. In the first five months of 1993, more than 1m fewer new cars were sold in western Europe than in the same period a year before. Page 2

**UBS challenged:** Swiss financial securities investment company BK Vision has challenged new bylaws of Union Bank of Switzerland that allow the bank to raise capital without offering prior rights to shareholders. Page 18, Lex, Page 18

**GPA cheaper than expected:** GE Capital will be able to exercise its option to take control of the Irish aircraft leasing company GPA Group for under \$200m - \$100m less than expected - according to a draft prospectus. Page 19

**BET cuts dividends:** UK business services company BET cut its final dividend after reporting annual pre-tax losses of \$9.5m (\$16.1m) because of pressure for lower prices in its main markets. Page 18; Lex, Page 18; Details, Page 22

**Timex chief quits:** Peter Hall, president of Timex Electronics, the company in Dundee, Scotland, which is in dispute with its sacked workforce, resigned. Hopes of a settlement rose when Mohamed Saleh, Timex Electronics' head of human resources in the US, agreed to meet union officials and leaders of the sacked workers. Page 9

**Apple Computer is to cut prices further in the US:** The move could spark another price war in the US personal computer industry, where prices have fallen nearly 50 per cent in the last 18 months. Page 21

**Help for Lloyd's Names:** More than a dozen Lloyd's syndicates are to postpone part or all of their calls for cash, softening the impact of record losses on the Names who provide the London insurance market's capital. Page 9

**S Africa chemicals merger:** South Africa's two biggest chemicals groups, ABCI and Sasol, are to merge some petrochemical and plastics interests to form a company with annual sales of more than R2.5bn (\$744m). Page 22

**Japan supermarkets link up:** Dais, Japan's largest supermarket chain, will have outlets countrywide when it absorbs regional chains Chujitsu, Uned Dais and Daihatsu in March. Page 23

**UK engineering companies hit:** Engineering companies in Britain's West Midlands are suffering from softening demand in continental European economies, a survey shows. The competitive advantage created by sterling's devaluation is being diminished. Page 10

**Venables loses soccer job:** Terry Venables, chief executive of Tottenham Hotspur football club, London, lost his High Court fight to stay in his job pending the hearing of his bid to buy out chairman Alan Sugar. Page 9

**EC bike raprieve:** EC internal market ministers agreed a 100 brake horsepower limit for motorcycles registered in the Community after the end of next year. Member states will have the right to a five-year exemption from the rules - an option likely to be exercised by the UK. Page 2

**Spy in the sky:** The British army is to buy an airship for use in surveillance of Irish Republican Army guerrillas in Northern Ireland.

STOCK MARKET INDICES				STERLING			
FT-SE 100	2855.5	(+23.7)		New York Composite	1.827	(1.8259)	
Yield	3.95			London	1.5275	(1.5259)	
FT-SE Eurotrack 100	1181.50	(-0.28)		DM	2.48	(2.478)	
FT-A All-Share	1424.50	(+0.7%)		FFr	6.34	(6.3228)	
Nikkei	20,997.35	(-103.68)		Sfr	2.2125	(2.21)	
New York Composite	104.5	(+0.54)		Y	105.1	(105.175)	
Dow Jones Ind. Ave	2611.10	(+6.08)		E index	78.4	(79.3)	
S&P Composite	447.77	(+0.54)					
US LUNCHTIME RATES				DOLLAR			
Federal Funds	3.1%			New York Composite	1.828		
3-mo Treas. Bill: 7M	3.05%			DM	1.492		
Long Bond	10.4%			FFr	5.4855		
Yield	6.79%			Sfr	1.492		
LONDON MONEY				Y	105.175		
3-mo interbank	5.1%	(5.1%)		London	1.294	(1.2939)	
Libor 3m	5.1%	(5.1%)		DM	5.48	(5.455)	
Libor 6m	5.1%	(5.1%)		FFr	1.448	(1.4455)	
Libor 12m	5.1%	(5.1%)		Y	105.1	(105.175)	
NORTH SEA OIL (Argus)				S index	63.7	(63.8)	
Brent 15-day (Aug)	\$17.946	(stable)					
Gold							
New York Comex (Aug)	\$368.6	(367.5)					
London	\$368.85	(371.15)					
Tokyo close	Y 105.2						

Austria	Swiss	Germany	DM12.50	Lux	LF60	Qatar	QR12.00
Belgium	Dfl.250	France	FFr.100	Malta	MLT0.80	S. Arabia	SAR11
Denmark	Dkr.20	Hungary	Hfl.100	Mexico	MXN13	Singapore	S\$4.10
Egypt	Egyptian	Ireland	Ir£100	Norway	Nkr.100	Slovakia	SKK10
Greece	Dr.100	Italy	Lira.1000	Poland	PLN100	Slovenia	SLT200
India	Rs.100	Japan	Yen.100	Portugal	Pte.200	Spain	Ptas100
Indonesia	Rp.1000	Korea	Won.100	Romania	Lei.100	Sweden	Skr.100
Israel	Sheq.100	Latvia	Ls.100	Russia	Rub.100	Switzerland	Sfr.100
Italy	Lira.1000	Lithuania	LtL100	S. Africa	Rand.100	Taiwan	NT\$100
Japan	Yen.100	Malaysia	Mal.100	Thailand	Bat.100	Turkey	Lira.100
Korea	Won.100	Malta	MLT0.80	Ukraine	Hryvnia.100	USA	Doll.100
Latvia	Ls.100	Mexico	MXN13	UK	£100		
Lithuania	LtL100	Norway	Nkr.100				
Luxembourg	LF60	Poland	PLN100				
Malaysia	Mal.100	Portugal	Pte.200				
Malta	MLT0.80	Romania	Lei.100				
Mexico	MXN13	Russia	Rub.100				
Moldova	MDL100	S. Africa	Rand.100				
Morocco	Mdh.100	Thailand	Bat.100				
Netherlands	Fl.100	Ukraine	Hryvnia.100				
New Zealand	NZ\$100	USA	Doll.100				
Norway	Nkr.100						
Poland	PLN100						
Portugal	Pte.200						
Romania	Lei.100						
Russia	Rub.100						
S. Africa	Rand.100						
Spain	Ptas100						
Sweden	Skr.100						
Switzerland	Sfr.100						
Taiwan	NT\$100						
Turkey	Lira.100						
UK	£100						
USA	Doll.100						

## Volkswagen considers 'dream' car plant for Spain

By Christopher Parkes in Hanover

VOLKSWAGEN has started talks with a consortium of Spanish banks and industrial companies on plans to build a factory to make "the cheapest car in the world".

Mr José Ignacio Lopez de Arriortua, the German group's production director, said yesterday: "We are now in a period of analysis. We should be able to have a very clear picture by 1995."

I am confident that we will have this dream plant."

The project for a plant in Mr Lopez's Basque homeland had been proposed to Seat, VW's Spanish subsidiary, by a consortium including Banco Bilbao Vizcaya, Banco Central Hispano, Spain's biggest electricity company Iberdrola and the Mondragon industrial co-operative.

Mr Lopez shrugged off warnings from General Motors, his former employer, that further legal action might follow if VW

want ahead with the project, which seems closely modelled on the so-called Plateau 6 idea he and his colleagues generated while with the US group.

"Plateau 6 is one concept. I am not telling you what our concept is," he said. "We live in a free continent, and we are all free to develop ideas and make goods which we consider best for markets. We will do so if we want and no one can tell us otherwise."

The Spanish consortium is

believed to have offered to build a factory with capacity for up to 200,000 cars a year in Amorebieta, near Bilbao, to be operated by VW and bought from the consortium at some unspecified date in future.

While Mr Lopez suggested in answer to questions that this was his ideal project, a separate written statement, attributed to Mr Lopez, said VW wanted only a "production laboratory" on a greenfield site to test revolutionary assembly methods under

real operating conditions.

Mr Ferdinand Piëch, group chairman, recently confirmed that VW needed a cheap, bottom-end model, but the company would face severe political problems if it opened significant new capacity in Spain while cutting back output in Germany.

Capital investment plans for the vehicles business have been cut to around half the original planned level for this year - just DM6bn (\$3.7bn). One of the main victims of the squeeze has been a

new plant in Mosel, eastern Germany.

Mr Lopez claimed he had joined VW out of concern for Europe. "I don't want to see a disaster here like that in the US," he said. In the US, "foreigners" had built up capacity for more than 3m cars a year and were shipping a further 1.4m vehicles annually, "putting US makers under big pressure".

European car industry faces crunch, Page 21

## Europe told to re-peg its currencies to D-Mark

By Peter Marsh, Economics Correspondent, in Basle

EUROPE must re-peg its currencies to the D-Mark to head off the growing problems of protectionist pressures, Mr Alexandre Lamfalussy, general manager of the Bank for International Settlements, said yesterday.

Speaking after the Basle-based bank's annual meeting, Mr Lamfalussy said the present arrangement, in which Britain and Italy were no longer in the European exchange rate mechanism and the currencies of Sweden, Finland and Norway were floating, was "not sustainable in the longer term".

In a gloomy annual report, the BIS, owned by 32 central banks mainly in the industrialised world, said the gradual recovery under way in developed countries was unlikely to bring high unemployment down sharply.

The report highlighted difficulties caused by slow growth and high government deficits in many advanced nations, together with the "enormous" potential for conflict in the slow progress of Uruguay trade rounds talks.

In linking the ERM turbulence of the past year with trade, Mr Lamfalussy was underlining how some nations in the ERM - notably France - believed devaluation of the pound and lira enabled the UK and Italy to boost growth at the expense of other European nations by helping export competitiveness.

Mr Lamfalussy said devaluation of several European currencies in the past year could "cause problems" among their trading partners.

"If someone could prove to me

that floating currencies are compatible with relatively stable real exchange rates then my argument wouldn't hold - but in the past this hasn't happened," he said.

The BIS said this year would see "further declines or at best a levelling out" in the economies in continental Europe, while signs of recovery in the US remained "fragile".

In unusually strong comments on those out of work, the bank said: "Especially in continental Europe, where 40-50 per cent of the unemployed have been without work for 12 months or more, unemployment constitutes a structural problem which cannot easily be resolved through faster output growth."

The report laid the blame for high unemployment on "high minimum wages and social taxes which raise labour costs, inflexible wage structures and real wages, restrictive work regulations and low labour mobility". It warned that "effective solutions become more difficult as time passes and the long-term unemployed progressively lose contact with the labour market".

In view of the wide gap between government spending and borrowing in many countries, the BIS said "very few" nations could boost economic activity by fiscal means.

Only Ireland and Japan of the main developed countries were

Continued on Page 18



Hot favourite: Rudolf Scharping, new leader of Germany's Social Democrat opposition, in front of a portrait of the late Willy Brandt. Page 18

## Bombs turn Somalis against UN

Leslie Crawford sees gratitude transformed to hatred in Mogadishu

THE CHARRED remains of a young boy, burnt beyond recognition, were all that was left behind yesterday after US bombers had pounded ammunition dumps in Mogadishu for the third night in a row.

Wailing women said as many as nine people had been killed in the pre-dawn strike. For Somalis, the nightly raids bring back the nightmare of the savage civil war that destroyed their capital.

The difference this time is that the attacks are coming from the foreign troops that were greeted with garlands of flowers and songs when the United Nations launched its humanitarian operation in Somalia last year.

"First they brought us food. Now they are bringing weapons," a young man said. "We fear they have come to kill us." The air attacks, which are aimed at destroying the hidden weapons stores of Somalia's most defiant warlord, General Mohamed Farah Aided, have united the people of his south Mogadishu fiefdom in hatred of the 12,000 UN troops stationed in the capital.

Even residents who bear the scars of Gen Aided's brutality say they must rally in defence of a man branded as a war criminal and a tyrant.

Yesterday was a day of mourning for the victims shot by Pakistani troops during a demonstration on Sunday. Heeding the call of Muslim prayers from loud-speaker vans, hundreds of families walked to a parade ground. They held their arms up to show the helicopters hovering overhead they were carrying no weapons. The helicopters fired warning shots; the crowd would not budge.

The swaying arms turned into clenched fists. From prayers, the voices curled into angry slogans against the US and the UN.

The commanders of the UN Blue Helmets are being dubbed "Somalia's new warlords".

"Look how they are behaving in our country," said Ms Guman Ahmed Gurhar, incensed with rage. "We don't want the UN here. We are prepared to fight to save Aided. He is our leader."

Continued on Page 20

Somali gunmen accused of provoking Pakistani force, Page 6

Editorial Comment, Page 17

## Clinton chooses 'moderate' woman for Supreme Court

By Jurek Martin in Washington

PRESIDENT Bill Clinton yesterday ended a controversial three-month search for a new Supreme Court justice by nominating Judge Ruth Bader Ginsburg to the highest US bench.

If, as expected, she is confirmed by the Senate, Judge Ginsburg, who is 60 and now at the federal appeals court based in Washington, will be the second woman to serve on the highest US court, joining Justice Sandra Day O'Connor. She will also be the first Jew to serve since Justice Abe Fortas resigned in 1969.

Mr Clinton said he had selected her because she was "progressive in outlook, wise in judgment and balanced and fair in her opinions". He praised her pioneering work for women's rights and was confident she could be a "consensus builder".

Mr Clinton chose Judge Ginsburg in preference to Judge Stephen Breyer of Massachusetts and Mr Bruce Babbitt, the interior secretary. Her candidacy emerged only at the weekend after the widely tipped Judge Breyer was revealed not to have paid social security taxes on a part-time cleaning woman.

Judge Ginsburg was appointed to the federal bench by President Jimmy Carter in 1980 after several years as general counsel for the American Civil Liberties Union, which is generally associated with liberal political causes. As a judge on a circuit principally engaged with regulatory issues, she is now rated a moderate. She is credited, in a 1985 ruling, with having opened the US natural gas pipeline business to competitive forces.

She was recently praised as a potentially ideal Supreme Court member by Justice Antonin Scalia, the court's most distinctive conservative voice.

Some controversy attaches to a speech last year, in which Judge Ginsburg suggested that the court's 1973 landmark ruling, Roe v Wade, which guarantees abortion rights, might have gone too far and "halted a political process that was moving in a reform direction and thereby, I believe, prolonged divisiveness".

This speech, say some lawyers, explains why she was not initially a favoured candidate for the seat being vacated by retiring Justice Byron White.

But it has to be matched against a conspicuous earlier record of her successful argument before the Supreme Court that the 14th Amendment to the Constitution, passed in 1868 and covering citizenship rights, also should serve as protection for women.

Slow in hitting jackpot, Page 8

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## NEWS: EUROPE

# John Murray Brown puts the Moslem country's first female prime minister in her place

## Women's advance reflects a fast-changing Turkey

**T**HE ELECTION by Turkey's largest party of Mrs Tansu Ciller as party leader and the country's first woman prime minister was explained in one Ankara newspaper by the story that wives of the men who voted had threatened a collective withdrawal of conjugal rights if she did not win.

Mischiefous perhaps - the newspaper or the wives, depending on the truth - but the story illustrates the point that there is a growing group of Turkish women asserting themselves in ways which to the outsider may seem at odds with Turkey's image as a conservative Moslem country. And Mrs Ciller is one such woman.

She is unlikely to be quite as forthright as one of Turkey's most eminent women professors who told a recent conference that "women's

equality must start in bed". But her advocacy of women's rights seems certain to occupy a high priority in her policy agenda as she starts her first day as Turkey's new leader. The 47-year-old US-trained economist, is already well-known for having a husband who took her maiden name.

Drop into her office in the new prime ministry and you are as likely to find a group of Turkish girl guides lobbying her support, as a moustachioed male adviser on the economy.

Turkey is changing dramatically, and women offer dramatic illustration of those changes. Sociologists point out that the Turks were historically a patriarchal society.

Mustafa Kemal Ataturk, the country's founder, enshrined women's equal rights, gave them the vote in

### Advocacy of women's rights seems certain to occupy a high priority on Ciller's policy agenda

1932 before much of Europe, banned the Moslem "chador" or veil, saw women elected to the new parliament, even sent a woman's team to the 1966 Berlin Olympics.

Women account for two in five physicians and chemists, in six lawyers, judges and public prosecutors;

one in six doctors; one in 10 government administrators and one in 30 managers of private corporations.

In 1991, Turkey appointed its first woman provincial governor. Previously the feeble reason given to exclude women from the post was that governors were required to travel on horseback - something which was deemed unseemly and quite possibly dangerous for a woman official.

By law women need their husbands' permission to work. Women are not allowed to remarry within a year after a divorce. A number of municipalities have established safe houses to treat women battered by their husbands, still a widespread phenomenon.

But it is among the less-educated and particularly in rural areas where women face the greater uphill

struggle for their rights.

According to a study by the World Bank and the Eurasian University, women account for a 59 per cent of the labour force, a statistic reinforced by the briefest of contacts with the Turkish countryside where the sight of one man "herding" a team of women in a field of chick-peas is not unusual.

Mrs Semra Ozal, wife of the late president Mr Turgut Ozal, did much to raise the profile of women. Her Daisies foundation travelled the countryside converting thousands of religious marriages into civil contracts, giving women equal rights in inheritance and claims on children in a divorce.

The junior partners in the coalition, the Social Democrats have suggested a quota system in parliament to ensure an even hand for

women. People point out that there were more women in parliament in Ataturk's time than today where there are just eight deputies in the 450-member chamber. The strongest female representation is in the right-wing Motherland party, with four women members. Mrs Ciller's True Path party has two.

In the old coalition, Mrs Ciller was one of just two women ministers. Her former ministerial colleague, Mrs Guler Ileri, a Social Democrat, was forced to resign, the only casualty of the coalition government, over allegations she purloined state funds allocated for a children's orphanage.

Today the only thing anyone remembers about Mrs Ileri is that she succeeded in having a coiffure for women opened in the parliament building.

## EC replay for some golden oldies

By Andrew Hill in Luxembourg

**D**EAD POETS and ageing rock stars could receive an unexpected boost in royalty payments from mid-1995, under harmonised European Community copyright rules agreed yesterday.

EC internal market ministers agreed that books and films should enjoy copyright protection for 70 years after the author's death, while musical recordings will earn royalties for 50 years from the date the record was first published or the performance broadcast.

This deal - agreed by a majority in spite of opposition from the Irish, Luxembourg, Dutch and Portuguese delegations - aims to end problems which could be caused by varying protection across the Community.

Without such a measure, certain governments were worried that publishers would escape paying royalties in high-protection member states by importing records or books from countries where protection was low or non-existent, taking advantage of the barrier-free single market.

But one side-effect of the new measure could be a temporary bonanza for performers and the heirs of authors for whom copyright protection has already expired in some parts of the Community.

For example, early Beatles recordings no longer earn royalties in Germany, which protects recordings for just 25 years. From July 1, 1997, however, the Beatles will again earn royalties on recordings and broadcasts of their early songs, until the new 50-year period expires.

The same rules will apply for books in Britain, which will have to extend copyright protection from 50 to 70 years after the author's death. That could mean a new royalties boom for the heirs of James Joyce and Virginia Woolf, for example. Copyright protection on their works expired last year, but will be renewed from 1995 until the 70-year deadline in 2012.

However, the directive should protect publishers and recording companies which rushed out special editions to coincide with the end of copyright protection. A special clause says member states should take action to protect the "acquired rights and legitimate expectations" those who took advantage of the old, unharmonised copyright system.

## Car sales plummet in western Europe

May's 17.9% decline means more than a million fewer vehicles sold in first five months of year

By Kevin Done, Motor Industry Correspondent

**N**EW car sales plunged by 17.9 per cent in western Europe last month to an estimated 973,000, the fifth successive month demand has fallen steeply from the corresponding period a year ago.

In the first five months alone more than 1m fewer new cars have been sold in western Europe than in the same period a year ago. Sales dropped by 17.3 per cent to 5.15m, according to industry estimates.

The sharp decline is increasing the strains between the European Community and Japan over the level of the latter's sales in Europe. The Japanese share of the western European market is estimated to have increased to 12.3 per cent in the first five months from 11.6 per cent in the same period a year ago.

Under intensified pressure from European carmakers, the European Commission has requested urgent talks with Tokyo before the August summer break, with a view to revising the present deal on Japanese exports to the EC this year. That was based on a forecast fall in the EC market

for cars and light commercial vehicles of only 6.5 per cent.

According to the industry, new car sales both in May and in the first five months of the year were lower than a year ago in 15 of 17 western European markets. Higher sales were achieved only in Britain and Ireland.

The decline is still accelerating in Italy where year-on-year sales fell 21.8 per cent in May and by 21.1 per cent in the first five months. In Germany, Europe's biggest market, they fell by an estimated 20.8 per cent last month to 284,000 from 359,000 a year ago. Corresponding figures for Spain and France were 20.5 and 12.1 per cent respectively.

Only Britain showed significant growth in May. New car sales rose there by 11.9 per cent, albeit from a very low level after three years of recession.

Most leading carmakers in Europe have been forced to introduce extensive short-time working and are cutting their workforces severely in the face of shrinking profits or mounting losses.

Rover was the only one to increase sales volume in the first five months, with a rise of

8 per cent helped by this growth of the UK market and its own strong performance in the German, French and Italian markets from a small base.

Nissan is benefiting from rising production from its British and Spanish assembly plants, which is allowing it to increase its penetration of the protected southern European markets, where direct imports from Japan are still limited by quotas.

The company's sales in Italy jumped by 78.9 per cent to 20,347 in the first five months, and fell in Spain by only 0.3 per cent despite a 31.2 per cent decline in the overall market.

Among the big six volume carmakers in Europe, General Motors (Opel/Vauxhall) and Ford have gained some ground helped by the launch of new models. Volkswagen and Fiat are losing market share.

Fiat group, which includes Lancia and Alfa Romeo as well as Ferrari and Maserati, has suffered a serious erosion of its market share from the late 1980s when it captured 14.9 per cent in 1989 and 1990. That share fell in the first five months of this year to only 11.9 per cent from 12.5 per cent in the same period a year ago.

	Volume (Units)	Volume Change (%)	Share (%) Jan-May 93	Share (%) Jan-May 92
<b>TOTAL MARKET</b>	<b>5,145,000</b>	<b>-17.3</b>	<b>100.0</b>	<b>100.0</b>
<b>MANUFACTURERS:</b>				
Volkswagen (incl. Audi, SEAT, Skoda)	671,000	-20.1	12.9	17.5
General Motors (Opel/Vauxhall, Lotus & Saab)	658,000	-16.0	12.8	12.4
Ford (incl. Land Rover, Ford)	631,000	-14.8	12.3	11.9
Fiat (incl. Lancia, Alfa Romeo, Ferrari, Maserati, Innocenti)	18,000	-23.6	0.4	0.4
Peugeot (incl. Citroen)	611,000	-21.2	11.9	12.5
Ford Europe	608,000	-18.7	11.8	12.0
BMW	600,000	-18.8	11.7	11.8
Renault	594,000	-16.9	11.5	11.6
Nissan	5,000	-4.5	0.1	0.1
Subaru	5,000	-17.3	0.1	0.1
Volvo	187,000	-17.2	3.6	3.2
Peugeot	144,000	-18.2	2.8	2.1
Toyota	142,000	-1.5	2.8	2.3
Mercedes-Benz	139,000	-23.5	2.7	3.2
Alfa Romeo	97,000	-23.2	1.9	2.0
Volvo	73,000	-25.3	1.4	1.6
Honda	67,000	-17.2	1.3	1.3
Mitsubishi	65,000	-14.7	1.3	1.2
Mini	63,000	-12.5	1.2	1.1
<b>MARKETS:</b>				
Germany	1,464,000	-20.0	28.5	28.4
Italy	326,000	-21.1	6.3	6.3
United Kingdom	725,000	+8.9	14.1	10.7
France	693,000	-18.5	13.5	13.7
Spain	305,000	-31.2	5.9	7.1

Notes: Imports from UK and sold in western Europe. \*VW holds 51 per cent and management control of Skoda. \*\*VW holds 51 per cent and management control of Skoda. \*\*VW holds 51 per cent and management control of Skoda. \*\*VW holds 51 per cent and management control of Skoda.

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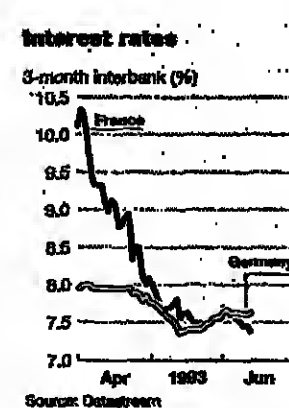
## Recession forces France to trim interest rates

By David Buchanan in Paris

**F**RANCE yesterday lowered a key official interest rate to combat deepening recession in the economy.

The Bank of France cut the intervention rate, at which it meets most of the financing needs of French banks, from 7.5 to 7.25 per cent, and its 5-10 day repurchase rate from 8.5 to 8.25 per cent. The main commercial banks said they would cut their base rates from 8.8 to 8.6 per cent on Thursday.

Last time the French authorities took the gamble of letting their rates fall below those of Germany - in October 1991 - they had to raise them a month later. This time, however, the rate reductions, which were welcomed by Mr Hans Tietmeyer, deputy Bundesbank president, look likely to stick, with the franc staying strong inside the ERM yesterday.



In an interview before the new rates were announced, Mr Nicolas Sarkozy, budget minister, said that, given this year's expected deficit of FF117bn (€28bn) budget deficit, "there is no more room in the budget other than that we have already used" to try to lift the economy out of

recession. He acknowledged the reversal in policy: "We came to power convinced of the need to cut taxes, only to find we had to do the opposite to save social programmes."

For his part, Mr Edouard Balladur, prime minister, pleaded yesterday for people to withhold judgment on his job and economic recovery programme until September because it could not produce any effects before then. Mr Sarkozy forecast the programme's first results would not be evident until early 1994.

The government looks set later this week to revise its estimate of the contraction in goods and services traded this year from 0.4 per cent to 0.8 per cent. However, it is pressing on with its programme to privatise some 21 state companies and to give the Bank of France autonomy in monetary policy.

## Banks decide not to wait

By James Eitz, Economics Staff

**T**HE French interest rates cut was a further indication that European central banks are not waiting for Germany to ease monetary policy.

The last easing in the Bundesbank's monetary policy took place more than a month ago when the central bank reduced the cost of lending D-Marks to commercial banks via its "repo" rate to 7.5 per cent. In spite of this, the D-Mark has remained rather weak against

most currencies as dealers grow increasingly concerned by the scale of the German recession and the size of its budget deficit.

Pressures on the D-Mark have led central banks to think they can cut rates without fear of their currencies coming under pressure in the ERM.

Yesterday, the Bank of Portugal took a similar step to France's, cutting its key mop-up rate by 1/2 of a percentage point to 11.25 per cent.

Mr Erik Hoffmeyer, Danish

central bank governor, was also reported as saying that he would like to cut his country's interest rates as soon as possible, and would not necessarily follow the Bundesbank. Speaking at the meeting of central bank governors in Basel, he gave no indication of when this might take place.

France's move had no effect on the French franc yesterday, which closed unchanged at FF3.363 to the D-Mark. However, the escudo closed lower at ES95.00 per D-Mark from a previous ES94.00.

## Calls for reform of Community's new VAT system

By Andrew Jack

**T**HE European Community's new VAT system is excessively complicated and costly and requires reform, Mr Serge Foucher, director of finance and accounting for Sony Europe, said yesterday.

Mr Foucher told the Financial Times International tax conference in London that the origin-based system introduced at the start of this year had proved a heavy administrative burden.

"We feel penalised because we have set up as a European company," he said. He told delegates that Sony had been forced to register an additional 28 times in EC member states to comply with VAT regulations, and employ 200 extra staff to amend its systems to the new requirements.

He called on the EC to require all countries to implement EC directives fully and consistently in place of the existing haphazard system, and to simplify the requirements for business transactions involving several different countries.

Sony's comments were supported by Mr Peter Jenkins, head of the VAT practice at accountants Ernst & Young, who called the new system "onerous and burdensome".

He said his clients complained of a lack of commercial

## Super-union for Romania

**T**WO OF Romania's largest trade unions have merged to form a single union with 3.7m members, one-third of the country's workforce, writes Virginia Marsh in Bucharest.

The creation of the new union, CNSLR-Pratda, follows a failed general strike last month when the unions disagreed.

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## EBRD board balks at early shake-up

By David Marsh, European Editor

**DIVISIONS** at the European Bank for Reconstruction and Development surfaced yesterday, as Mr Claes de Neergaard, chairman of the audit committee, opposed plans for an early shake-up in the management structure.

At an inconclusive day-long board meeting, Mr Jacques Attali, bank president, proposed appointing Mr Ernest Stern, deputy head of the World Bank, in a new post as number two at the EBRD.

Mr Attali, the focus of recent allegations of EBRD overspending, said Mr Stern had accepted the job in principle to help strengthen management.

However, Mr de Neergaard, the Swedish board member, who is overseeing an examination of alleged cost overruns, spoke out against any changes until the investigation was completed on July 15.

The subject of Mr Attali's own future was not broached at yesterday's regular board meeting. But several directors

feel that an early decision on creating a new job for Mr Stern could pre-empt wider changes - including over Mr Attali's own position - which may become necessary once the audit report is concluded.

Mr de Neergaard's rejection of an early appointment of Mr Stern was backed yesterday by a number of other directors, including Mr Ron Keller, the director from the Netherlands.

Mr Attali, described in recent weeks as fighting for his job, is due to give the board today a detailed paper spelling out proposals for management changes.

In moves initiated by the Group of Seven (G7) leading industrialised countries, Mr Stern would take over as new senior vice president in charge of operations.

Mr Mario Sarcinelli, at present the vice president in charge of development banking, would take responsibility for management and administration, in an effort to meet complaints that the two-year-old bank has been wasteful and ill-run.

## US urges rules on exploitation of cheap labour

By David Goodhart in Zürich

A SENIOR official in the Clinton administration yesterday called for stronger international labour regulation "so that businesses cannot play one country against another in the search for ever lower wages".

Mr Jack Otero, deputy under-secretary of labour, speaking at the International Metalworkers' Federation congress in Zürich, also said that the International Labour Organisation, whose conventions are meant to establish minimum standards, needed "strengthening".

Many labour organisations in the developed world are hoping that the US administration will play a more interventionist role in regulation, but Mr Otero would not be drawn on whether a social clause was required in any Gatt trade agreement. He did, however, emphasise that the US Labour Department was keen to see greater pressure on Malaysia, to allow full union rights in the electronics industry. Malaysia, where many multinationals now operate, has become a test case for international regulation.

A Gatt social clause was strongly supported yesterday by Mr Marcello Malenachi, IMF general secretary, who said that workers in the Third World should not be unfairly penalised by companies and governments as they entered

the world's trading system. He adds that the challenge facing policy-makers is to increase the living standards of people in the globe's South without destroying jobs and living standards in the North.

"We do not seek to lay down wages, which will vary according to the level of development of the country concerned, but we do consider that all the workers of a country have the right to form unions, to negotiate and to go on strike. Labour standards must be established so that worker exploitation is not the primary focus of economic competition," he said.

Mr Malenachi said that the ILO should be the obvious agency to draw up a social clause for Gatt, but questioned whether the organisation had the "vigour" to do so. "It is, for example, the World Bank that is drawing up labour codes for African countries such as Mali and Senegal. It is not a banker's job to draft labour law any more than it is the ILO's task to write banking laws."

Mr Owen Bieber, president of the American United Auto Workers, warned that, without a proper social clause, the pending North American Free Trade Agreement (Nafta) would intensify pressures for downward harmonisation of wages and working conditions - "exactly the opposite of what should occur".

The disparity in wages of US and Mexican auto workers is as much as 30:1.

## New arrest drags state-run group Stet further into the scandal Italy's telecom corruption probe widens

By Haig Simonian in Milan

ITALY'S huge Stet public sector telecommunications group has been dragged further into the political corruption scandal with the arrest yesterday of Mr Francesco Silvano, managing director until earlier this month.

The detention of Mr Silvano, who gave himself up to Milan police, takes the investigations into the telecommunications sector a further rung up Stet's management ladder. Earlier arrests had involved executives of Stet subsidiaries.

Telecommunications have become one of the most active areas of investigation as magistrates pursue a number of

leads involving contracts with the former ASST state telecom agency. Inquiries are also believed to be proceeding on suggestions that some telecom companies may have rigged bids. Last month, police arrested Mr Luigi Montella and Mr Salvatore Randi, managing directors of Stet's Sirti and Italtel subsidiaries.

Sirti handles network engineering while Italtel, in which AT&T of the US has a 20 per cent stake, is responsible for equipment manufacturing. The chairman and managing director of Stet's small AET subsidiary have also been detained.

Separately, Rome magistrates made three arrests following allegations of corrup-

tion at the Ministry of Posts and Telecommunications. The inquiries involve ASST, formerly controlled by the ministry, and broadcasting.

Magistrates also warned Mr Giorgio La Malfa, former leader of the Republican party, and Mr Oscar Mammi, a senior Republican MP and ex-posts minister, they were under investigation on allegations of receiving illicit funds and illegal funding of political parties.

One of the three men arrested, Mr Giorgio Medri, was a Republican MP and senior party official until last year. The arrests and warnings follow recent leaks that the posts ministry was a big source of funds for the political parties via kickbacks on telecommunications contracts and the reorganisation of broadcasting frequencies. Mr Davide Giacalone, a former assistant to Mr Mammi, is believed to have told magistrates L8bn (\$8m) in kickbacks was paid between 1987 and 1990 to Mr Mammi. It is further alleged that two of the three arrested men demanded kickbacks from a small company, Federal Trade Misura, commissioned by the posts ministry to advise on the frequency reorganisation. The allocation of such a complex and sensitive task to an unknown company has already attracted the attention of magistrates.

In another line of investigation, magistrates arrested Mr Ugo Montevocchi, a former managing director of Fiat's Impresit construction arm, on allegations of corruption and rigged bidding for contracts. The arrest marks a blow for Fiat, which has been gradually returning to normal after the detention of a number of top executives in recent months, most of whom are now back at work. Mr Montevocchi had already been interrogated by Milan and Turin magistrates investigating other leads in the corruption scandal.

The latest allegations reportedly refer to kickbacks from Fiat Impresit to politicians for restoration projects at Italian museums.



The Bosnian Serb leader, Mr Radovan Karadzic, kissing the hand of Archbishop Seraphim, leader of the Greek Orthodox Church, during a visit to Athens yesterday. Mr Karadzic was to attend a rally to raise funds for the Bosnian Serb cause. He claimed Greece planned to invite Serbs and Croats to Athens in an attempt to stop the fighting in former Yugoslavia.

## Ex-head of German group jailed

By David Waller in Frankfurt

MR BERND OTTO, chief defendant in the long-running fraud trial involving the Co op German retail group, has been sentenced to four and a half years in jail.

Mr Otto, a former chief executive of the Co op, was found guilty on counts of fraud and accounts manipulation involving a total of approximately DM20m (\$12.3m).

The court found the money had been transferred illegally to Swiss bank accounts for the personal use of Mr Otto and other former senior Co op executives. The charges date back to events in the mid-to-late eighties, when Co op was pursuing an aggressive expansion course.

## East Ukraine speaks with quiet authority

Chrystia Freeland reports on a strike with an overtly political message

WERE IT not for the signs denouncing Ukrainian President Leonid Kravchuk, the public rally in the central square of the eastern Ukrainian city of Donetsk yesterday could have been mistaken for a massive civic picnic.

Many of the 35,000 demonstrators who converged on October Square to show their solidarity with the striking coal miners carried brightly coloured parasols to shield them from the summer sun. Miners, distinctive in their red hard-hats and coal-blackened faces, reclined on the lush green lawns surrounding the square to enjoy an open-air brunch.

The festive mood was facilitated by a thoughtful local government. The riot police and truncheon one might expect to see at a demonstration of militant coal-miners were nowhere in evidence.

The regional government even gave the strike committee offices in its massive white granite building and allowed the miners to use the steps leading into government head-

quarters as a podium. But for all that, the wave of industrial unrest triggered by the miners' strikes which began last Wednesday has been an effective flexing of the muscles of industrialised eastern Ukraine.

The strikes, which have stopped work at 228 of the 253 mines in the Donbass region of eastern Ukraine and been joined by workers at some metallurgical and machine-building factories in the area, have pushed the political demands of the east to the top of the Ukrainian political agenda. The miners of western Ukraine, which have been as hard hit by last week's five-fold leap in food prices as their eastern comrades, have by and large not joined the strike.

But, according to observers in eastern Ukraine, unlike previous miners' strikes which have focused on pay increases for the coal sector, the main goal of this round of industrial action has been to give the eastern Ukraine, which is predominantly Russian-speaking, greater political power.

"This is eastern Ukraine's



political revenge," said Mr Hryhorii Nemyrza, a professor of political science at Donetsk University. "After many years of the recruitment of Ukraine's political elites from the Donbass, it is western Ukraine which is now prominent. The current strike is an effort to turn the tables back again."

The first winner in this struggle is Mr Ekim Zhevilevsky, who has been catapulted from his job as mayor of Donetsk to the critical post of first deputy prime minister of Ukraine.

The links between Mr Zhevilevsky's overnight political promotion and the strikes are strong: the normally quiescent Zestadko mine, where Mr Zhevilevsky used to work as director, was the first to take to the picket lines. Moreover, one of the strike leaders is Mr Zhevilevsky's top political aide.

Mr Zhevilevsky wasted no time in using his new job to push the main demand of the striking miners: a national referendum on whether to hold new presidential and parliamentary elections.

"Our young state is in jeopardy," Mr Zhevilevsky said to the emergency session of parliament convened yesterday afternoon to debate the miners' demand for a referendum. "If we do not decide today to hold a referendum, then in three or four days there will be no reason to meet at all."

He warned that failure to meet the miners' demands could spark a wider strike which would bring the national economy to a halt.

By late yesterday, parliament had not yet taken a decision on whether to hold a referendum. If it does, the result would be difficult to predict. The ex-communist-dominated parliament is widely discredited and a referendum could be expected to result in parliamentary elections.

The president's position is more ambiguous. Ukraine's collapsing economy and escalating tensions with Russia have pushed the president's rating down in the opinion polls, but Mr Kravchuk is a skilled politician with a strong network of regional representatives, and, like his Russian counterpart, could manage to pull off a vote of confidence.

"That would not please the miners of Donetsk, whose region voted strongly in favour of Mr Kravchuk, then perceived as a moderate alternative to nationalist politicians from western Ukraine, in the 1991 presidential elections."

"Kravchuk cannot lead and he does not understand the economy," said Mr Iuri Makarov, co-chairman of the strike committee. "People have now understood that he is not able to do anything for the state."

## Russian stock market link urged

By Leyla Boulton in Moscow

RUSSIA should start planning a national stock exchange system now before the market is fragmented by the spontaneous proliferation of stock exchanges across the country, according to a report financed by the European Commission.

The report, by consultants Garside Miller Associates and solicitors Norton Rose, also makes a series of recommendations to protect investors from fraudulent practices likely to emerge with the market's rapid growth.

Although few company stocks are traded at present, their number is likely to grow rapidly as the government sets about trying to privatise about 6,000 state-owned enterprises this year alone. Existing rules and a proposed securities law which has yet to be adopted by parliament do not, for instance, prohibit "market manipulation" - the practice of trading solely to induce others to buy or sell an investment.

With Russia on the verge of its first takeover battles, the report also calls for rapid implementation of a takeover regime and more stringent disclosure requirements.

Because Russia spans 10 time zones, and existing exchanges are in fierce competition with each other, the Russian Stock Market Development Plan recommends the US model of linking competing exchanges in one common regulatory system.

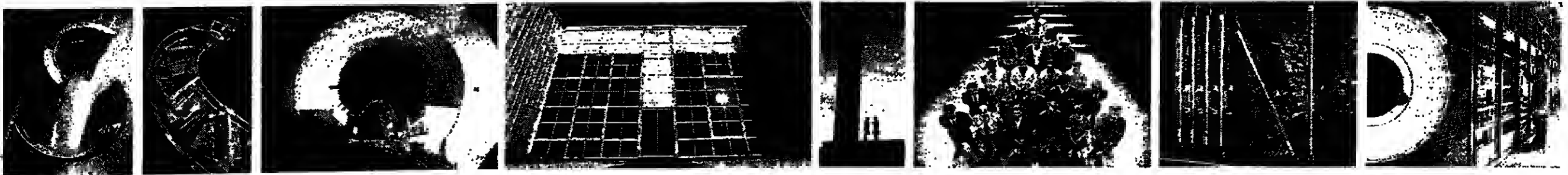
Such a system would include provisions such as different computer systems being compatible. It would also institute common dealing rules and self-regulatory bodies to help police the market - although self-policing would have to be reinforced by an independent state agency.

The alternative system of a single stock exchange with different branches simply could not be implemented in Russia, although the report hopes that competition will eventually reduce the excessive number of exchanges - 80 are now registered with the authorities.

The report also warns of external risks to the securities market, such as the weakness of the banking system. It recommends that authorities urgently put together new and more extensive capital adequacy regulations to limit the risk of trouble in the banking sector spilling over into banks' securities operations.

As the report notes in its dead-pan fashion, "there is little respect for the rule of law in Russia". But it stresses the need for one international agency, such as the World Bank's International Finance Corporation to co-ordinate help so it is not wasted. For this purpose, it suggests the development of a "map" of the state of development of the market and external aid to it.

The report, available in Russian and English, can be obtained upon written request to Mr E. Freyer, EC Co-ordination Unit, Russian Strategy, Foreign Policy Directorate, 121000 Moscow, or by sending the fee to the Garside Miller at EC Commission in Brussels (tel 2351432).



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## Japan keeps cash at home

JAPANESE overseas investment fell steeply last year, exacerbating economic difficulties in much of the industrialised world. Particularly affected was the US, a strong beneficiary of Japanese investment in the late 1980s, while in the European Community inward investment last year generally held up well in spite of signs of economic slowdown. Total world cross-border investment last year came to \$158.5bn (£102.9bn), down 13 per cent on the corresponding figure for 1991.

According to the BIS report, foreign investment by Japanese companies, including capital spending and acquisitions, totalled \$17.3bn last year, down from \$30.7bn in 1991 and the \$48bn invested the year before. The report suggests that the main effect of much of the large Japanese foreign investment in the 1980s has been to create jobs and boost economic activity in the countries concerned, rather than to lead to large profits for the Japanese companies spending the money. It says the "flood" of Japanese overseas investment

between 1987 and 1991, totalling \$175bn, has "apparently yielded a very poor return". In the US last year, according to the report, Japanese investors recorded a net loss of \$2bn in terms of more cash flowing out of their businesses than coming in.

Overall, last year saw a net negative investment in the US of \$3.9bn.

That arose partly because the poor economic climate persuaded potential investors that they had better uses for their money.

In terms of total world cross-border investments, the US was responsible for the biggest share, contributing \$35.3bn out of total world investment of this type of \$158.5bn last year. This figure was 13 per cent down on the \$182.2bn figure for 1991.

Investment inflows across borders in the EC were relatively high at \$70.3bn last year, compared with \$68.6bn the year before.

The UK received the biggest share of last year's investment with \$19bn, followed by France with \$16bn.

## Income inequalities of rich and poor widen

PEOPLE in south-east Asia are catching up rapidly with the western world in terms of income, while those in Africa and Latin America are falling further behind, according to the Bank for International Settlements (BIS) annual report.

While the average person in China, South Korea, Taiwan, Singapore and Hong Kong experienced income growth of up to about 7 per cent during the 1980s, incomes in Latin America and Africa fell during the decade, due to economic stagnation and rapidly rising populations.

Illustrating the widening differences between the poorest and richest nations, the study says the poorest 20 per cent of the global population in 1980 received only 5 per cent of the world's income.

By 1990, this fraction had fallen still further - to 3.4 per cent. Over the same period,

### Peter Marsh looks at the annual report of the Bank for International Settlements

and excluding China where strong economic development in the 1980s has greatly eased poverty, the richest 20 per cent of the world's people saw their share of total incomes increase from 58.3 per cent to 64.6 per cent.

The study points out that better schools, curbs on population growth and factory investment to boost exports are all keys to increasing the wealth of the earth's poorest nations.

It says the experiences of the past 30 years, in which rich nations have increased their lead over the world's economic also-rans, "cast doubt on the widely held assumption that poor countries will generally gain, relative to more advanced countries, due to the spill-over of technology and capital inflows".

Between 1980 and 1990, the fifth of the world's population which lives in China increased its share of world incomes from 7.3 per cent to 11.5 per cent.

Economic advance in China was particularly substantial during the 1980s, when the income of the average person increased 6.9 per cent a year. Over the same period, incomes in the rapidly industrialising bloc of South Korea, Taiwan, Singapore and Hong Kong expanded by 5.6 per cent a year.

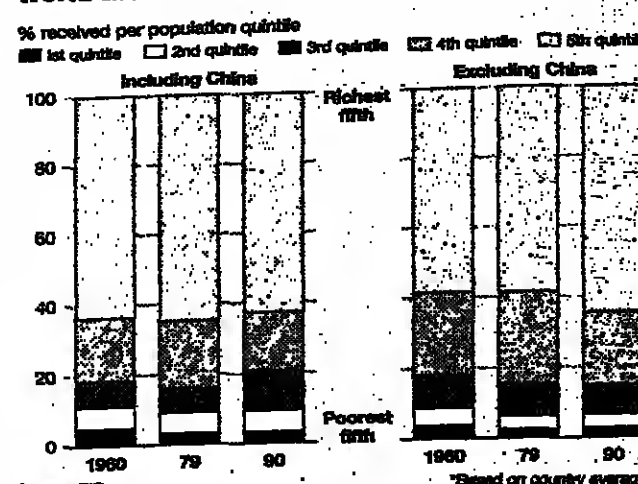
However, during the 1980s, per capita incomes in Latin America and Africa fell by 0.8 per cent and 0.3 per cent a year respectively.

This was despite good progress in both these regions during the 1960s and 1970s, when the comparable figures had been between 2 per cent and 3.1 per cent.

In 1990, the average citizen in South Korea, Taiwan, Singapore and Hong Kong received an income only 17 per cent below the average in the rich industrialised world - this is substantially better than in 1960, when incomes were 69 per cent less than in the west.

However, progress in this respect was markedly different in Latin America and Asia, where in 1990 incomes were roughly one-third and one-tenth respectively of the equivalent figures in the

World income distribution by population group



Source: BIS

developed world. Thirty years earlier, the corresponding fractions had been significantly higher, at 41 per cent and 17 per cent respectively.

## UK loses most jobs in financial services sector

THE shake-out in employment in financial services in the UK has been much greater than in any other comparable country, underlining how the recession has hit what was once regarded as a high-growth industry.

The BIS report says employment in financial services in the UK dropped by 10.7 per cent between 1989 and last year. Employment in this field in the US fell over the same period by 0.4 per cent, while in France it grew 0.6 per cent.

The study says the falls in numbers working in this area of industry "can be attributed to automation and excess capacity" in the financial sector. Another aspect was the high growth in employment in this field in many countries, including Britain, during the economic upswing in the 1980s.

In 1990 the financial services industry in Britain employed 2.8m people, or roughly one-eighth of the total workforce and nearly double the com-

parable number in 1979. During the 1980s, employment in this field grew particularly fast in insurance, property-related services and banking.

The reduction in numbers employed in this sector in Britain since 1989 compares with the 3.9 per cent gain in employment in the Japanese financial services industry over the same period. In Italy the increase in employment between 1989 and 1992 was 4.8 per cent, while Spain, Australia, Canada and Switzerland saw comparable increases of 12 per cent, 2 per cent, 0.7 per cent and 0.5 per cent respectively.

Of the other nations studied in the report, Sweden and Norway saw falls in employment in this area of 2.3 per cent and 0.7 per cent. The analysis fails to give comparable figures for Germany, where the financial services industry in recent years has seen modest growth as part of general increases in employment in non-manufacturing areas.

## Economic recovery 'held back by a lack of co-ordination'

ECONOMIC recovery in the industrial world may be held back by a lack of international co-ordination of economic policy and a reluctance to use fiscal measures to boost demand because of worries about growing public deficits, the Bank for International Settlements warned yesterday.

In its annual report, the bank also says inflation targeting may not succeed in providing stable economic policies in those countries such as the UK which have stopped linking their exchange rates to the D-Mark.

The BIS puts much of the blame for last year's crisis in the European exchange rate mechanism on the lack of willingness by governments to consider "preventative parity adjustments" in exchange rates prior to the emergence of severe market strains.

It concludes that "adjust-

ments ultimately had to be made in conditions of crisis, precipitately, triggering speculative attacks even in cases of specific currencies where the fundamentals were sound".

With special reference to

on inflation, the effectiveness of policy in meeting inflation objectives can be judged only after a long delay.

It warns that the credibility of such targets may "take time to establish in countries which

### Prospects for continental Europe look poor. Industrial production is falling, gross domestic product stagnating and unemployment and budget deficits rising

Britain which, having left the ERM, has introduced a target of keeping underlying inflation to less than 4 per cent, the report says "it is questionable whether such targets can succeed in helping to bring about stable economic policy."

"Given the lags with which monetary policy has an impact

have changed the framework of policy several times in recent years and adopted inflation targets only after a substantial depreciation of their currencies".

In generally gloomy comments about the outlook, the BIS - owned by 32 central banks from the developed

world and former communist countries in eastern Europe - says easing in monetary policy in several countries has so far had little effect in stimulating economic activity.

While a return to growth seems likely in the US and the UK, prospects for continental Europe look poor "with industrial production declining, gross domestic product at best stagnating and unemployment and budget deficits rising".

Also lack of progress in international trade talks means "the potential for conflict is enormous" in the area of protectionist measures.

However, more hopeful news comes from relatively good growth in some developing countries, especially in south-east Asia, the general absence of marked inflationary pressures in much of the developed world, and good productivity growth in some countries.

## Warning for central bankers

THE world's central banks will have to improve their strategies for exchange rate management if they are to avoid further spells of currency turbulence, according to Mr Alexandre Lamfalussy, the BIS's general manager.

Writing in the annual report, Mr Lamfalussy says monetary authorities in industrial countries need to back up efforts to manage currencies by buying and selling them with interest rate changes.

However, such exercises can only work if they do not run foul of sentiment on the world's financial markets, which have increasing powers

to force exchange rate adjustments. The BIS general manager says: "The authorities cannot therefore afford to ignore the crucial role of expectations in financial markets. If they want to meet exchange rate targets they will have to influence these expectations, or at least avoid giving rise to adverse ones."

Elsewhere in the report, the BIS suggests governments were guilty of a "piecemeal approach" to managing the turbulence in the European exchange rate mechanism last year. Instead of arranging a general realignment of the currencies in the system, they

allowed financial markets to force events, with the result that individual currencies had to be devalued one by one, or, in the case of the Italian lira and sterling, pushed out of the mechanism. With about \$1,000bn (\$649bn) a day traded on the world's currency markets, the power of investors to influence events is such that "even in the face of an attack on a currency whose fundamentals are sound, intervention [by central banks to buy or sell currencies] now had to be greater than in the past".

On a similar theme, Mr Lamfalussy says an additional reason for governments' reduced

ability to control exchange rate movements has been the "emergence of an activist asset and liability management culture, encouraged by the successive waves of financial innovation and accelerating advances in information systems and communications technology".

Turning to the economic outlook, Mr Lamfalussy is moderately optimistic about the possibilities of a sustained upturn across the industrial world. He says investment has generally been resilient, savings have increased and productivity growth is increasing in many countries, not only in manufacturing but in services.

## Portfolio flows across borders stay at high level

CROSS-BORDER financial transfers fell back slightly last year but remained at high levels.

Flows of portfolio capital, covering such areas as bonds, equities and other securities, came to \$238bn from \$274bn in 1991 and \$152.5bn the year before, according to the BIS report.

In many countries, portfolio capital transfers are now much higher than flows of money caused by payments of physical goods.

This underlines how different countries' capital accounts are more important than their

trade accounts in determining the value of international currencies.

Investment by the UK and Japan, who were the biggest players in 1991, declined, while US investment increased somewhat and continental European investment rose sharply, with German investment setting a new record of \$43bn (\$29bn).

Inflows into Japan "all but evaporated", partly because of low long-term interest rates, while flows into Germany were high, partly due to the high level of the D-Mark.

Investments in capital into

Portfolio capital movements in industrial countries (\$bn, annual averages)

	76-80	81-85	86-90	90	91	92*
Total outflows, of which:	15.0	60.6	186.0	152.8	274.0	238.0
US	5.3	6.5	13.6	28.8	45.0	46.6
Japan	3.4	25.0	85.9	38.7	74.3	34.4
UK	2.3	13.6	28.1	29.2	51.8	47.3
Other EC	3.8	10.4	44.4	47.2	69.2	92.3
Total inflows, of which:	39.9	77.8	184.8	154.9	374.6	308.5
US	5.2	29.4	44.7	-0.8	51.2	65.0
Japan	5.1	12.8	26.9	34.7	118.3	8.7
UK	2.3	3.5	22.1	9.4	28.7	28.6
Other EC	8.7	18.5	57.3	65.0	123.6	168.9
Equity inflows, of which:	5.0	12.4	24.4	-18.0	79.0	20.0
US	1.8	3.4	4.9	-14.5	9.2	-11.2
Japan	1.0	2.1	-11.6	-19.3	48.8	8.7
UK	0.5	1.4	10.1	2.8	5.4	8.4
Other EC	1.1	2.4	13.2	7.0	10.9	8.1

\*Partly estimated Source: BIS

continental Europe now account for more than half of the transfers of this sort in the industrial world. US portfolio investment came to \$48.6bn last year, up from \$45bn the year before, while the EC, excluding the UK, accounted for transfers of \$92.3bn, up from \$69.2bn.

## Japanese banks 'short on details'

UNCOVERING details about loan problems in Japan is made more difficult by limited statistics provided by Japanese banks on borrowers which run into difficulties, the BIS report says.

In a section on financial distress in the banking system, it says loan losses in companies or banks "can have serious implications" for economies, even though these are often difficult to assess.

The report says an important question is the extent to which information known to banking authorities about banks' balance-sheets is publicly disclosed - an area where standards differ markedly between different countries.

The BIS says: "The limited statistics on non-performing loans make it particularly difficult to assess asset quality in the case of Japanese banks."

The BIS emphasises that in the case of 21 big Japanese banks the information of this kind covers only loans of a specific period. Loans granted which fail to meet the criteria for reporting suggest that in Japan "the actual scale of problem loans is likely to be larger" than would appear from an examination of publicly available documents.

The report says banking authorities should identify problem loans early and take quick action to tackle them. See Leader Page

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# REGULATION OF THE RETAIL INVESTMENT INDUSTRY

### London, 8 July 1993

Effective regulation of the retail financial services industry has proved costly and, by many accounts, inadequate. The conflicting interests of disparate business organisations have created almost insurmountable obstacles in the path of a single, cohesive system which will at once satisfy investors and consumer groups while encouraging innovation and competition.

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**REGULATION OF THE RETAIL INVESTMENT INDUSTRY**

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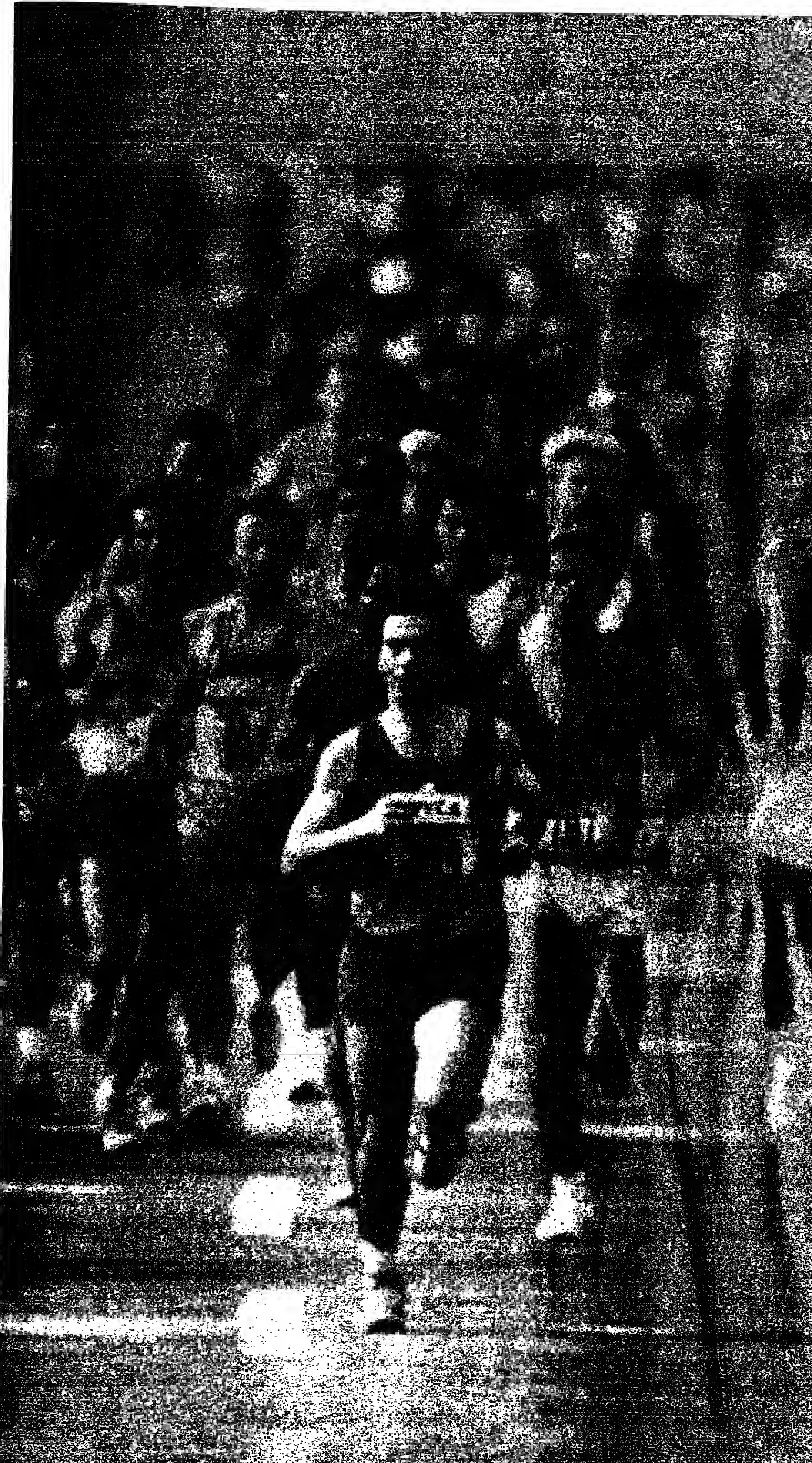
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# Somali gunmen accused of provoking Pakistani force

By Michael Littlejohns, UN Correspondent, in New York

THE UNITED Nations yesterday defended the actions of Pakistani troops under its command, which left many civilians dead in Mogadishu at the weekend, and charged that Somali gunmen had fired on the unarmed demonstrators as well as attacking the UN soldiers.

It was the first official information that Somalis were involved in shooting at the crowd. A UN report on the bloody incident said the demonstrators, with women and children in front, had earlier opened fire on the Pakistanis

in "a staged incident". Mr Kofi Annan, head of UN peacekeeping operations, briefed the Security Council yesterday. There was no indication there would be any change in the rules of engagement for the UN force.

Meanwhile, Mr Joe Sils, the UN spokesman, reminded reporters that Mr Boutros Boutros Ghali, the secretary general, had repeatedly but in vain tried to persuade the US to disarm the Somali factions after US troops entered the country in December.

"Everybody would have been much better off if it had been done sooner," he said. The UN force that replaced the

Americans last month has made disarming warlords and their followers a high priority. UN officials did their best to justify the Pakistani troops' actions. Mr Annan said the soldiers, who lost 23 of their colleagues in a Somali ambush 10 days ago, behaved "professionally". But if there were any evidence of wrongdoing those responsible would be disciplined. Mr Sils said an "absolutely routine" investigation was under way.

Mr Annan, who is from Ghana and is the first non-African to head the UN, stressed that the troops were serving in a country "in a state of chaos".

Mr Boutros Ghali discussed the situation in Vienna yesterday with Mr Warren Christopher, the US secretary of state, during a break in the human rights conference there.

In a statement issued on his behalf in New York, he accused the warlords of having "recklessly resorted to inciting crowds to threaten the security" of UN troops and of using women and children as "human shields".

Notwithstanding extreme provocation, the soldiers had reacted with restraint, as a result of which civilian casualties had been "kept to the minimum". See editorial comment

## Dalai Lama refused entry

# UN human rights row

By Patrick Blum in Vienna

THE UNITED Nations World Conference on Human Rights, the first in 25 years, opened in Vienna yesterday amid controversy and strong criticisms from independent human rights organisations which denounced the organisers' decision not to allow the Dalai Lama, the Tibetan spiritual leader and campaigner for human rights, to attend the opening ceremony.

The Dalai Lama unwittingly became the symbol of what many non-governmental organisations (NGOs) regard as the double standards set by the UN and member states when it comes to human rights issues.

The Dalai Lama, a Nobel Peace prizewinner, was barred from attending the ceremony following objections to his presence from China. The decision brought an outcry and caused a boycott of the opening ceremony by 14 Nobel Peace prize laureates.

Mr Pierre Sané, secretary general of Amnesty International, said: "Is this the message the UN World Conference wants to send to the world this morning? Is this what is meant by a commitment to human rights - that a man of peace like the Dalai Lama is forbidden entry? We are appalled by this decision."

The row symbolised the enduring and at times bitter debate between advocates of

the "universality" of human rights - represented primarily by the developed countries of the north - and many developing countries which prefer to stress economic development and cultural differences, and who see the strictures of the north as badly disguised interference and imperialism. More than 100 countries are represented in Vienna.

Mr Boutros Boutros Ghali, the UN secretary general, in his opening speech tried to steer a middle road but he could not avoid the debate over "interference".

He suggested the international community had a duty to act against states that flouted human rights and abused their people.

## Li Peng in public eye after 7 weeks

By Tony Walker in Beijing

MR LI PENG, China's prime minister, yesterday made his first public appearance in seven weeks and struck an active pose in an apparent attempt to counter speculation that a lingering illness had weakened him politically.

But western officials and Chinese observers said it was too soon to judge whether Mr Li would be able to resume a full workload. Mr Li, who had last been sighted in public in late April, received Dr Mahathir Mohamad, the visiting Malaysian prime minister, at a ceremonial welcome yesterday in the Great Hall of the People, before adjourning for talks.

He showed no obvious sign of recent serious illness, but, according to reporters present, he stiffened without responding directly when Dr Mahathir, a medical practitioner, enquired about his health during pleasantries that preceded their talks.

Chinese officials had initially explained Mr Li's disappearance from public view by saying that he was suffering from a bad cold. But reports have circulated widely that he suffered at least one, and possibly two, heart attacks.

Mr Li, accompanied by his wife Mrs Zhu Lin, walked fairly briskly as he escorted Dr Mahathir. He also posed smiling for photographers, as if to reinforce the point that he had recovered.

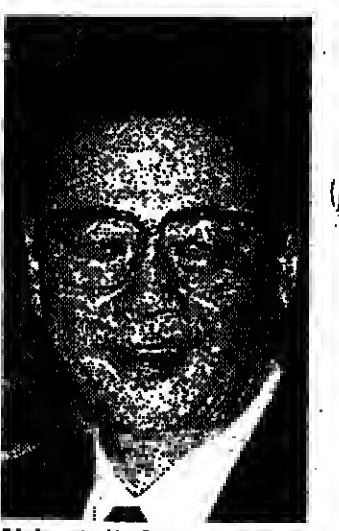
Later, he conducted 30 minutes of formal talks with the Malaysian leader, in which the two shared similar views on human rights. "For a developing nation, human rights are in the first place the rights to independence, existence and development," Mr Li was quoted as saying.

Dr Mahathir is said to have replied: "Foreign forces always seek to impose their social systems and concepts of values upon us, so as to disrupt our countries and control us."

A western official said that some weeks would have to pass before it was clear whether Mr Li could fully resume his responsibilities. "If he has had a heart attack, even a mild one, he should avoid stress and long working hours," she said. "If he is only able to manage one or two meetings a week, it is unlikely he would be able to continue as premier for very long."

Mr Wu Jiaxin, foreign ministry spokesman, told reporters that Mr Li's recovery was "very good" and that he was resuming all his duties. "As Premier Li Peng is getting better and better with his health, he will certainly have more diplomatic duties to perform," Mr Wu said.

Mr Li's illness became public on April 26, when he suddenly cancelled a meeting with Philippine President Fidel Ramos. He was subsequently obliged to postpone a five-nation tour of central Asia.



Li: heart attack rumours

## Japan 'to hold interest rates' as yen rises

By Charles Leadbeater in Tokyo

JAPAN will not adjust interest rates to stem the yen's continued rise against the dollar, Mr Yasuji Mieno, the Bank of Japan's governor, said yesterday after the dollar fell to an all-time low of ¥105.20 at the close of trading in Tokyo.

Mr Mieno's remarks at his regular press conference are likely to fuel a further rise in the yen over the next few days, say Tokyo foreign exchange dealers. The dollar fell by ¥1.12 in Tokyo yesterday.

Many Tokyo dealers believe the dollar will continue to slide against the yen until the US authorities intervene to support the dollar to prevent US import prices and inflation from rising.

The yen's rise is being fuelled by several factors, chiefly the rising Japanese trade surplus. US-Japanese government talks over the weekend in Washington failed to agree a framework for cutting the surplus.

Mr Mieno's rejection of a change in monetary policy is part of a subtle shift in Tokyo's approach to the yen's rise, which may senior officials privately acknowledge is heading for ¥100 to the dollar.

In late April, when the dollar fell sharply from about ¥115 to about ¥110, the Bank of Japan joined a fierce attack on the Clinton administration for allegedly encouraging the yen to rise. Business leaders and politicians warned that the yen's appreciation could choke off the recovery of the Japanese economy.

In contrast the yen's most recent rise to about ¥105 has not been accompanied by criticism of the US. The government's claim that international

co-ordination to stabilise exchange rates, which Tokyo says was agreed at an April meeting of Group of Seven finance ministers, is looking increasingly tattered.

Instead Tokyo policy makers now acknowledge that the dollar will probably stop falling only when Washington decides to support the US currency.

Mr Yuji Tanashashi, vice minister of the Ministry of International Trade and Industry, warned US inflation would soon start rising, threatening a rise in US interest rates, if the dollar fall continues.

The change of tone is not simply a reflection of the Japanese authorities' powerlessness in preventing the yen's rise. It also reflects a reassessment of the impact upon the economy.

The Bank of Japan believes that in the short term the yen's appreciation could stifle the incipient recovery in the Japanese economy. However it believes in the long run the Japanese economy may benefit as manufacturing companies will become more efficient to cope with the yen's rise.

Mr Mieno emphasised yesterday he would take into account both the positive and negative effects of the yen's rise in deciding the bank's policy.

Equally significant were comments by Mr Sieroku Kajiyama, secretary general of the ruling Liberal Democratic party, that a stronger yen could be tolerated in the long run.

Mr Mieno said it was still too early to say that the Japanese economy was bottoming out as signs of recovery were too weak. The question of whether the economy has hit the bottom of the cycle has sharply divided economic ministers over the past week.



Malawian tea estate workers queue yesterday to vote in a referendum on one-party rule. The ballot has aroused great enthusiasm, and opposition leaders claim the vote with bring an end to 30 years of rule by President-for-life Kamuzu Banda.

## Jordan near London Club accord

By James Whittington in Amman

JORDAN is on the verge of a \$1bn (\$950m) debt rescheduling agreement with the Loodoo Club of commercial creditors which is said to give among the best terms ever obtained by a Third World debtor country.

After many rounds of tough negotiations, the Loodoo Club has offered a draft agreement which will give direct and indirect relief of around 58 per cent of the kingdom's gross debts to the banks.

The formula presents the commercial creditors the option of either 35 per cent discounted bonds, or par bonds,

both payable after 30 years and with low interest rates. Jordan has stipulated that creditors must opt for at least 35 per cent of the debt to be covered by discounted bonds.

The Loodoo Club had been wary of setting a precedent which other debtor countries would then request. But Jordan, which boasts an impressive economic record since its IMF adjustment programme began in the autumn of 1991, was supported in its hard bargaining by the IMF. It will now replace Argentina as the Club's most favoured Third World debtor.

Mr Sami Qamho, the kingdom's new finance minister, is due to go to London at the end

of June to finalise the agreement.

Despite the kingdom's overall success with the adjustment programme so far, the London Club's offer comes at a time when Jordan is facing increasing difficulties in implementing certain IMF strictures.

The government had been expected to introduce a controversial sales tax before debt rescheduling took place. But faced with fierce opposition, especially from the private sector, the idea was dropped.

Instead Mr Qamho last week announced amendments to the kingdom's old consumption tax which he described as "a compromise with the IMF". Fuel and electricity price increases

have also been announced recently.

Jordan's total external debts are around \$6.5bn, or 140 per cent of gross domestic product. The Paris Club of creditor governments and lending agencies is due \$4.5bn. The rest is owed to Russia, former East bloc states, Arab lending groups and the London Club.

A Paris Club meeting is scheduled for July 1993 and western diplomats in Amman express confidence that further debt rescheduling will be agreed to. "Most western countries are sympathetic towards Jordan and appreciate its moderate political stand. I think they want to help," says one diplomat.

## Israel and Palestinians far apart

By Julian Ozzanne in Jerusalem

THE GULF between the Israeli government and Palestinian peace negotiators appeared as wide as ever yesterday on the eve of the resumption of the Arab-Israeli peace talks in Washington today.

In the run-up to the tenth round of talks both the Palestinians and the Israelis have played down expectations of a breakthrough on a joint statement of principles on interim Palestinian self-rule.

The Palestinian delegation, led by Mr Haidar Abdel-Shafi, is said to be deeply unhappy about the failure of US officials sponsoring the talks to provide concrete answers to a series of questions defining the extent of Palestinian autonomy to be granted over the occupied territories during an interim period.

The Palestinian delegation has been in

Washington since last week pressing the US State Department to clarify its position on questions central to the peace talks. Among issues presented by the Palestinians are whether the US views the territories as "disputed" or "occupied", how East Jerusalem would be governed during the interim and how Washington sees the linkage between an interim solution and a permanent settlement.

The Palestinians said they failed to receive clear answers from the US administration and yesterday it was unclear whether Mr Abdel-Shafi would attend this morning's session or merely send a symbolic delegation.

In Jerusalem Mr Yitzhak Rabin, Israeli prime minister, said that he expected no breakthrough in Washington but he believed that Israel and some of the Arab states had passed the point

of no return in the negotiations. "We are not ready for gestures. The period of confidence-building measures is over," Mr Rabin reportedly told a parliamentary committee yesterday.

Without any progress on the Palestinian track, negotiations between Jerusalem and its Arab neighbours Jordan, Syria, and Lebanon are unlikely to make any headway in Washington.

King Hussein of Jordan, who is due to meet President Bill Clinton on Friday, last week ruled out the possibility of signing any bilateral agreement until there is progress in Palestinian-Israeli talks.

Palestinian and Arab delegates are pressing the US to take a more interventionist role to force concessions on the parties and ensure some progress is made before the tenth round ends in three weeks.

## UK-China talks

China and Britain began a fifth round of talks yesterday on the political future of Hong Kong, with both sides vowing to maintain a positive attitude despite few signs of progress, Reuter reports from Beijing.

## Nigerian lead

Mr Moshod Abiola, a millionaire Muslim businessman, has taken a clear lead in Nigeria's presidential election, first official results showed yesterday, Reuter reports from Lagos.

## Reform faction may quit LDP

By Robert Thomson in Tokyo

LEADERS of Japan's ruling Liberal Democratic party yesterday conceded that they cannot reach agreement on reform of the scandal-tainted political system, prompting one faction boss to call for a new reform coalition which would group LDP and opposition politicians.

Mr Tsutomu Hata, head of the LDP's Hata faction, said the apparent failure of the reform push had forced him to gather a group of pro-reformers from the government and opposition, which he suggested could ultimately become the base for a new political party.

If Mr Hata is successful in convincing members of other LDP factions to defect on this issue, the government could be defeated in an opposition-sponsored no-confidence motion in parliament and he forced to extend the present sitting beyond this week or even to call an election.

"Over the next day or two, I will be gathering people from different LDP factions who have the same desire for reform," Mr Hata said. "There is a possibility in the longer-term that it could be a new party, but we will have to see what develops."

Mr Hata's move came as Mr Sieroku Kajiyama, the LDP's secretary general, said he had been unable to get agreement from LDP parliamentarians on political reforms including a redrawing of electoral boundaries and tougher controls on political funding.

Many LDP members are opposed to reforms, which

would replace the present system of multi-seat constituencies with a single-seat system or proportional representation or a mix of both. The new format would threaten the LDP's traditional system of factional patronage, as, in tandem with funding laws, the cost of politics would be cut.

But the problem for Mr Hata and other self-proclaimed reformers is that the Social Democratic party of Japan, the largest opposition party, has also yet to agree on the details of political reform, which is likely to be opposed by members who benefit from the present system.

"We will have to see which politicians are really in favour of reform, and those who are just saying nice things," Mr Hata said. "Reform will help to nurture real political parties, and it will help Japan to develop a more independent foreign policy and to take diplomatic initiatives."

Japanese MPs yesterday declared their personal assets, which were an average ¥132.2m (\$796,300) for members of the LDP, and a more modest ¥43.5m for opposition MPs - the average total for Japanese is ¥21.1m.

The totals made public were probably far below the actual figures, as property and stock prices were calculated at book value, not market value, and the total does not include the assets of other family members. Many politicians are believed to have transferred assets to their spouse or children to avoid declaring an embarrassingly large total.

## Forecast tax rises held in Pakistani budget

By Farhan Bokhari in Islamabad

THE PAKISTANI government last night unveiled the country's annual budget which avoided some unpopular measures that businessmen had expected, though it sought to widen the tax net.

Prices of petroleum products were increased by 10 per cent but costs of gas and electricity remained unchanged. Petrol may rise further depending on the exchange rate of the Pakistani rupee against the dollar.

Sales tax was increased by 2.5 percentage points to 15 per cent. Mr Sartaj Aziz, in his budget speech before the parliament, also announced a 2 per cent duty surcharge on the cost of new commercial build-

ings in large urban areas. No tax was introduced on agricultural income. Pakistanis are exempt from paying direct income tax on agriculture, a subject of criticism from foreign donors. In recent days, many officials expected some form of tax, even in a limited form, in response to those concerns.

The budget has come at a time of political uncertainty. Mr Aziz appealed to the opposition to join in a bipartisan consensus on economic policies as a way to encourage foreign investors.

Many businessmen have recently expressed concern over a chronic budget deficit which has repeatedly been responsible for Pakistan missing its economic targets.

## Sihanouk hails era of democracy

By Victor Mallet in Phnom Penh

PRINCE Norodom Sihanouk, the Cambodian leader, celebrated the opening of the elected assembly yesterday by announcing a new era of liberal democracy and free enterprise and calling for a solid ceasefire between the country's warring factions.

The 120-member assembly, chosen in last month's UN-organised election, is obliged to draw up a new constitution and form a government within three months under an international peace plan agreed in Paris in 1991.

Mr Yasushi Akashi, head of the UN Transitional Authority in Cambodia, urged the elected representatives to "bury the hatchet of yesterday" and said he was proud to have led the UN's most ambitious undertak-

ing to date. Untac's \$2bn (\$1.2bn) mission is supposed to end with the formation of a new government.

"Your presence here is a clear affirmation of democracy in Cambodia and of the unmistakable will of the people to become the masters of their own country," Mr Akashi said, holding out the promise of support from foreign donors and investors if stability returns to Cambodia.

Mr Akashi and his staff are likely to face a difficult three months dealing with the unpredictable Prince Sihanouk and with an incumbent communist administration unwilling to yield power to FUNCPEC, the royalist opposition party which won the most seats in the election.

Several leaders of the ruling communist Cambodian People's party have established an

"autonomous zone" along the Vietnamese border, terrorising FUNCPEC supporters and driving out UN civilian workers at gunpoint; Khmer Rouge guerrillas opposed to the CPP have their own zone on the Thai border in the west.

After entering the assembly under a golden umbrella, the 70-year-old Prince Sihanouk told his members that the Cambodian people wanted a united and peaceful country and a better standard of living.

He condemned deforestation and the theft of archaeological treasures from the ruins of Angkor in the north, and suggested a return to the "prosperous agriculture of the 1850s and 1980s" - the time when he was in power.

One of the assembly's first acts yesterday was to mollify the prince by declaring the coup d'état against him by Gen

Lon Nol in 1970 to be null and void, and by reaffirming him as head of state "so that he can effectively save our country and allow Cambodia once more to know progress and prosperity, as in the days of the Sangkum Reastr Niyum".

Untac officials said the decision was of doubtful legal force - since the assembly has yet to pass a constitution - and did not necessarily bode well for democracy. The Sangkum, or "People's Socialist Community", was a national movement founded by Prince Sihanouk with the purpose of overthrowing other political parties, and won its first election with the help of intimidation and vote-rigging in 1955.

Cambodian rice yields and per capita income, furthermore, were among the lowest in south-east Asia in the 1960s.

مكتبة الشرح



## German fury at minister's telecoms line

By Ariane Genillard in Bonn

THE German telecoms industry yesterday sharply criticised the recent announcement by Mr Günter Rexrodt, federal economics minister, that Germany and the US had agreed to sidestep sanctions and counter-sanctions over government contracts affecting telecommunications.

"We are surprised and angered at the fact that the Economics Ministry is breaking ranks with the EC trade policy," a source in the industry said.

"Germany will now become a platform for non-EC producers wanting to enter the common market, and German companies will be the first to pay the price of this increased competition," he added.

The Economics Ministry yesterday attempted to defuse the crisis, which has thrown Germany into a bitter dispute with the European Commission.

However, ministry officials kept an embarrassed silence when asked about ways in which Bonn could mend its dispute with Brussels.

The ministry said no trade agreement lifting sanctions had been signed with the US. "Our trade representatives

simply informed their US counterparts that Germany was not discriminating against US companies, as do Spain, Portugal and Greece," a spokesman from the ministry said.

The row between Germany and Brussels broke out last Thursday when Mr Mickey Kantor, US trade representative, told a US congressional committee that Germany and the US had agreed to drop sanctions against companies importing telecoms equipment.

On Friday, Mr Rexrodt announced that Germany could not apply discriminatory sanctions against US companies because of a 1954 bilateral trade agreement.

The announcement immediately prompted the European Commission to ask for a full clarification.

The US recently erected sanctions against EC telecoms suppliers seeking government contracts in the US. This was in retaliation for Article 29 of the EC's utilities directive, enacted in January and giving a price preference to EC companies bidding for European government contracts.

But Mr Rexrodt said on Friday Germany would not apply Article 29's restrictive provisions.

Andrew Taylor detects growing international interest in plans for city's reconstruction

## Contractors join the new battle of Beirut

THE prospect of rebuilding war-ravaged Beirut, 18 months after hostilities ceased, is beginning to excite the interest of international contractors.

They are anxious to win foreign orders to supplement depressed domestic order books with much of the western world struggling to escape the grip of recession.

The extent to which their interest will be translated into structures on the ground will depend on the ability of the Lebanese authorities to raise the money to pay for reconstruction.

Last week building and civil engineering contractors were asked to submit pre-qualifying bids for the \$350m (£227m) rehabilitation and extension of Beirut international airport.

According to contractors, finance for the airport is expected to be in the form of foreign loans and grants, mostly from other Middle Eastern countries.

The Lebanese Council for Development and Reconstruction responsible for the project has told construction compa-

nies that the airport development has the personal support of Mr Rafik Al Hariri, the prime minister.

About 70 contractors are expected to seek to pre-qualify to expand the airport's capacity from about 1.5m passengers a year to 6m. The work, which includes a third 3,500m runway, is expected to last two years.

It is part of a \$12.9bn reconstruction programme which includes rebuilding shattered transport, water, sewerage and electricity generation services as well.

A separate plan for the redevelopment of Beirut, once one of the richest Middle Eastern cities, has been drawn up by local consultants Dar Al-Handasah. The rehabilitation of 1.3m sq m, including 600,000 sq m of private property, in the bombed-out centre of Beirut, is expected to cost about \$3bn.

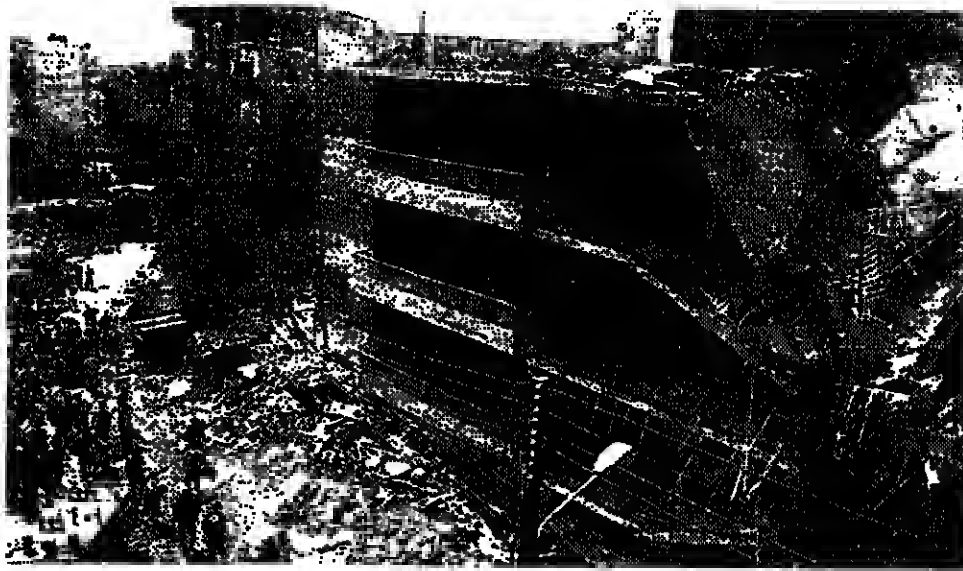
The reconstruction programme, says the council, will be paid for out of foreign loans and aid, Lebanese government finance and private investment from returning businessmen

and Lebanese expatriates. It is estimated that these hold overseas assets worth \$30bn to \$40bn.

Much will depend upon the success of Mr Hariri, a 48-year-old Moslem billionaire, in convincing the investment community that he can rally Lebanon's divided society and reverse the country's balance of payments deficit.

The long-term solution to the country's political and economic problems will involve reaching a peace agreement under which Israel will withdraw its troops from its self-declared security zone in south Lebanon. Without this accord, it will be impossible for large scale country-wide re-development to take place.

The first phase of re-development, costing \$2.7bn, from 1993 to 1995 will depend heavily on foreign loans which will account for two-thirds of the finance with foreign aid accounting for another 21 per cent. Domestic borrowing will account for about 18 per cent, says the council.



Rising from the ashes: the war has provided rich pickings for international building contractors

Earlier projects, therefore, will be those which can quickly generate income from users to repay borrowings. These may include the airport development, electricity generation, port developments and communications.

Contractors will be looking for as much security as possible from lenders such as the World Bank. The council toyed with the idea of trying to raise finance for the airport from a private sector operator but did not consider this to be feasible in the current

political and economic climate. Nonetheless, there are signs of activity which have encouraged international contractors. Lebanese businessmen, as a sign of confidence in Mr Hariri's new government, repatriated \$700m last year.

Mr Derek Ashburner, business development director of Trafalgar House, the UK construction, engineering, property, shipping and hotel group, was a member of a construction industry trade mission to Beirut sponsored by the British government at the

beginning of this month. "Land costs have risen sharply in recent months and there are reports of apartments along the coastal strip changing hands at \$1m each, all of which are signs of returning confidence," said Mr Ashburner.

"British, French and Italian engineering consultants are already working on preliminary designs for parts of the reconstruction programme. We are hopeful we too will pick up some of the work as this programme develops."

## US pacts must be 'results-oriented'

By Nancy Dunne in Washington

THE US Council on Competitiveness has joined a growing number of influential private-sector groups recommending Washington negotiate "results-oriented" pacts, including market-share goals, when strong companies cannot gain foreign market access.

In its latest report - Roadmap for Results: Trade Policy, Technology and American Competitiveness - the council also endorses the use of trade sanctions if necessary.

The council is headed by Mr George Fisher, chairman of Motorola, who was one of the few private-sector representatives invited to dine on Friday night with a Japanese delegation in Washington for trade negotiations. It played a key role in developing the Clinton administration's technology policy.

The new report offers some insight into US strategy towards Japan, which it names as a candidate for results-oriented pacts because "its structural barriers and discriminatory private-sector linkages are often more entrenched than in other parts of the world".

The report acknowledges that the US has, in the past,

relied too heavily on trade policy instead of addressing basic competitiveness problems, such as insufficient research and development, "impatient capital markets and a burdensome regulatory environment".

US trade policy has been poorly co-ordinated among government agencies and with other policies, the report says. This has led to numerous inconsistencies; for example Washington rejecting subsidies in multilateral steel talks, while making plans to subsidise high-technology R&D.

The administration has already moved to correct past deficiencies. Its Japan policy has been developed in the Interagency National Economic Council in tandem with the National Security Agency. It is insisting on some kind of measurable indicators, and has the broad backing of both Republicans and Democrats in Congress.

Although the administration has pledged not to retaliate if negotiated goals are not met, it will use sanctions to enforce trade US laws.

The options for leverage are numerous. A higher mini-van tariff, now buried in a Treasury review process, could be called into play or US officials could return to talking up the yen.

### NEWS IN BRIEF

## E Germans back new business site

THE east German state of Brandenburg has given full planning permission for a Canadian-based company to develop a business site for foreign investors, in a move likely to attract up to DM500m (£220m) of investment and several thousand jobs over the next four years, Judy Dempsey writes from Berlin.

The Horsham Corporation, which holds a controlling interest in American Barrick Resources Corporation, the international gold producer, bought the 230-hectare Brandenburg Park, south of Berlin, in June 1991 from the Treuhand privatisation agency.

It paid DM30m for the land and intends to invest DM60m on infrastructure and construction over the next 14 months.

### Taiwan quits steel mill project

Taiwan has confirmed it is withdrawing from a planned \$360m (£234m) investment in a Malaysian steel mill, writes Kieran Cooke in Singapore.

State-run China Steel was to have co-operated in the project with the Kuala Lumpur government and Malaysia's Lion Group. But Taiwan's parliament has hocked China Steel's investment, saying the company should expand its capacity in Taiwan before investing overseas. Malaysia says the steel mill project - with a planned investment of \$2.7bn - will go ahead.

### Auto components venture agreed

Sumitomo Light Metal of Japan and Norway's Hydro Aluminium have formally agreed to collaborate in the development of automotive components using aluminium extrusions, writes Kenneth Gooding, Mining Correspondent.

Hydro is Europe's biggest producer of aluminium extrusions while Sumitomo is a leading supplier to the Japanese vehicle industry. Similar links have been established by companies reacting to forecasts of a surge in the use of aluminium in cars and other vehicles to reduce weight and pollution.

### China awards telecoms contract

Pacific Dunlop of Australia has won an A\$70m (£31.25m) telecommunications contract in China, writes Bruce Jacques in Sydney.

The contract, awarded to the group's Olex Cables subsidiary, involves laying 3,150 km of optical fibre cable and transmission equipment, linking the cities of Lanzhou, Urumqi and Yining in north-west China. Olex will be partnered by NEC Australia.



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BOEING



# Clinton slow in hitting the justice jackpot

IT TOOK President Bill Clinton three pulls of the lever before hitting the attorney-general jackpot with Mr Janet Reno. Judge Ruth Bader Ginsburg may well turn out to be a splendid new Supreme Court justice, but the long and painful process by which she was selected has done nothing to dispel the president's - and the White House staff's - reputation for being chronically indecisive and politically irresolute.

The indictment against both the president and his people is the talk of Washington. The salient charges include:

- **Vacillation:** It took the administration three months to find a replacement for Justice Byron

The president still seems indecisive and irresolute, writes Jurek Martin

White, who had announced in March that he would retire at the end of the current term this summer so that a successor could be confirmed by the Senate and on the bench in time for the next term. This timetable is now in doubt.

By contrast, presidents Reagan and Bush took less than a week to announce nominations to Supreme Court vacancies and did not demand - as Mr Clinton does, almost to obsession - personal knowledge of candidates. Even when both the previous presidents lost nominees - Mr Robert Bork and Mr Douglas Gins-

burg - replacements were put forward within days.

- **Poor staff work:** Judge Stephen Breyer of Massachusetts, the favourite until Sunday, is reported to have told Mr Bernard Nussbaum, White House counsel, five weeks ago that he had a problem with social security payments for a domestic employee. Yet these only surfaced in news reports on Saturday night, after the judge had lunched with the president on Friday and been asked to stay in Washington, presumably to await announcement that he was the candidate.

Even then, he was dropped after several prominent senators, including Mr Robert Dole, Republican leader, and Senator Joseph Biden, chairman of the judiciary committee, had said he should be confirmed, not least because new ground rules worked out by the committee and the White House allowed for "unintentional oversight", which seems the worst he was guilty of.

Even some advocates of women's rights, distressed over the circumstances that undid Ms Zoe Baird and Judge Kimba Wood as prospective attorneys-general, pointed to qualitative differences between Judge Breyer's domestic arrangements and those of the two women.

- **Callousness:** If the judge was led up the garden path of expectations, so was Mr Bruce Babbitt, interior secretary, rated favourite a week ago for the bench. He had to endure the re-publication of old - never substantiated - allegations that he had connections to organised crime.
- **Political resolution:** It baffled even some of Mr Clinton's friends when Mr Babbitt's name was so freely mentioned, as he is considered

a tower of strength in the cabinet, particularly admired by liberals and environmentalists. A confirmation battle to replace him at the Interior Department seemed needless.

The president's desire to know his most important nominees personally may be understandable. But he deserted an old friend, Ms Lani Guinier, when her nomination to the civil rights section of the Justice Department came under fire and, by dropping, in succession, Mr Babbitt and Judge Breyer, Mr Clinton has again left the impression that he bends before critical winds. It also makes him enemies - Senator Edward Kennedy of Massachusetts, a sponsor of Judge Breyer, is not pleased.

## Uruguay tackles row over officer

By John Berham  
in Buenos Aires

REPORTS that South American security forces worked together last year to "rescue" a Chilean intelligence officer, wanted in connection with human rights investigations in Chile, have set off political trouble in Uruguay, where the officer was last seen.

The affair came to light last week when Uruguayan congressmen received an anonymous letter claiming that Argentine, Chilean and Uruguayan intelligence services co-operated last November, apparently without the knowledge of their civilian political masters, to spirit Mr Eugenio Berrios out of Chile, where he was wanted on human rights charges. He is alleged to have been implicated in rights violations during General Augusto Pinochet's military regime of 1973-1990.

Mr Berrios was taken first to Argentina, then to Uruguay, where he is believed to have been protected by army and police officers. He has since disappeared without trace.

Uruguayan President Luis Alberto Lacalle cut short last week a visit to London to deal with the affair. He sacked General Mario Aguerre as head of military intelligence and Mr Ramón Rivas, the police chief suspected of holding Mr Berrios in the town of Parque del Plata.

However, Mr Lacalle has been careful to avoid a head-on confrontation with the Uruguayan military, which has evaded the sort of human rights investigations that dogged the armed forces of Argentina, Brazil, Chile and Paraguay after they handed back power to civilians.

Mr Lacalle has ordered a confidential interior and defence ministry investigation of the Berrios affair, rather than a full judicial inquiry. He stressed at the weekend that the affair was mainly a Chilean problem, with ramifications in Uruguay.

## British executives in Cuba trade talks

A GROUP of British business executives is visiting Cuba for talks on trade and investment opportunities in such fields as tourism, the oil industry and hi-tech, Reuters reports from Havana.

"We are particularly interested in the Hispanic Caribbean... we see opportunities for economic development," Baroness Young, a former Conservative minister and the delegation leader, said in Havana.

The 14 executives in the group were to have talks with Cuban trade officials during their three-day stay on the communist-ruled island. Britain's Caribbean trade advisory group organised the visit.

Mr Raúl Taladrí, a vice-president of Cuba's state committee for economic co-operation, told Lady Young that Cuba was interested in increasing its trade relations with Britain.

Asked about Britain's attitude to the US trade embargo against the country, which the Cuban government says hinders trade and investment from other countries, Lady Young said: "The British government's position is that we have trade relations with Cuba and are interested in building them up".

## Canadian Tories take gamble on their new leader

Bernard Simon examines the risks of choosing Kim Campbell as PM

BY CHOOSING Ms Kim Campbell to succeed Brian Mulroney as party leader and prime minister, Canada's ruling Progressive Conservatives have taken a gamble.

If it pays off, the Tories will find themselves in power for a third consecutive term after the election Ms Campbell is likely to call in September.

The country may then have a prime minister with the intelligence and forcefulness to press ahead vigorously for the next five years with the tasks which Mr Mulroney began - adjusting the economy to the rigours of greater competition, especially in North America, bringing down a ballooning budget deficit, reforming the costly social security system and giving a freer rein to private enterprise.

As a native of Vancouver, Ms Campbell may be the ideal leader to accommodate Canada's regional and linguistic disparities, while maintaining an over-arching role for the federal government in Ottawa.

Her intellect, sophisticated tastes and considerable exposure to the world outside North America could give the new prime minister and her country as much attention on the

international stage in the 1990s as Mr Pierre Trudeau won for it in the 1970s.

Ms Campbell, aged 48, is in many ways an unusual - and therefore, for her party, a risky - choice as Canada's 19th prime minister.

Besides being the first woman in the post, she is the first prime minister with western roots since Mr John Diefenbaker in the late 1950s. Ms Campbell, who has spent much of her life either studying or teaching, was elected to the House of Commons in Ottawa only five years ago.

Her previous experience in politics was limited to a school board in Vancouver and to British Columbia's right-wing Social Credit party. She is barely fluent in French, and has little first-hand knowledge of Quebec, more than 2,000 miles from Vancouver.

The general election race will be wide open. The Tories have a fillip from Mr Mulroney's departure, and are now running neck and neck with the opposition Liberals in public opinion polls.

But, with voters in an unusually volatile mood, polls now offer little guidance to the outcome. For one



Kim Campbell: a more complex and less predictable character than her predecessor

thing, Ms Campbell's chief opponent, Liberal party leader Mr Jean Chrétien, is among the country's most seasoned politicians.

Ms Campbell will make her international debut at next month's Group of Seven summit in Tokyo - an event which Tory organisers hope will also help boost her image at home ahead of the general election.

The other G7 leaders are likely to find that their new Canadian counterpart has a more piercing intellect

than Mr Mulroney, but is less convivial. "She will be less clubbable" with the other G7 leaders, predicts one foreign diplomat in Ottawa.

Ms Campbell, in general, appears to have a more complex and less predictable character than her predecessor. The same traits have won her affection in some quarters, but disdain in others.

One of her political confidants notes that it was just as well there were no microphones at hand last Saturday

evening as Ms Campbell sat watching the keynote speeches of the other four candidates at the Conservative leadership convention.

Her comments were, it seems, such that a Campbell fan would have regarded them as reflecting her impish sense of humour, while the same remarks might have been taken by a detractor as proof of the condescending and tart-tongued manner for which she has become known.



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## WHERE TO WATCH THE FT THIS WEEK

### MONDAY

07:45 European Business Today† - Daily news, company results, market moves and boardroom interviews.

12:30 West of Moscow †

22:30 European Business Today†

### TUESDAY

07:45 European Business Today† (22:30)

13:15 West of Moscow\* (18:15)

08:15 FT Reports\* (15:45, 23:45)

### WEDNESDAY

07:45 European Business Today† (22:30)

21:30 Financial Times Reports† - The Big Issue? We take a hard look at the BT3 share offer, and also spotlight Thermie the new hi-tech EC energy programme..

### THURSDAY

07:45 European Business Today† (22:30)

08:15 West of Moscow\* (15:45, 23:45)

13:15 FT Reports\* (18:15)

20:00 Financial Times Reports • (01:00, 05:15)

### FRIDAY

07:45 European Business Today† (22:30)

### SATURDAY

05:30 Financial Times Reports •

08:30 Financial Times Reports †

11:15 West of Moscow • - Read all over? We talk to the man behind the Readers Digest move into Eastern Europe. (& 22:15, 02:15, 05:15)

### SUNDAY

13:00 Financial Times Reports • (20:00)

19:00 Financial Times Reports †

22:30 West of Moscow †

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مكتبة الشرح



Departure widely expected to ease settlement, though early solution not predicted

## President of Timex at Dundee quits

By James Buxton,  
Scottish Correspondent

MR PETER Hall, president of Timex Electronics, the Dundee company which is embroiled in a bitter and widely publicised industrial dispute, resigned yesterday.

His departure was widely seen as making a settlement slightly easier to reach but union officials said they were not expecting an early solution.

Last night Mr Mohamed Saleh, Timex Electronics head of human resources in the US, was due to meet local AEEU

engineering union officials and leaders of the sacked Timex workforce in Dundee. This was the first time since February that Timex has met local union leaders, though it has had long negotiations with national officials.

Mr Hall was said by the company to have resigned for personal reasons and left the plant. The printed circuit board assembly factory is being managed by Mr John Drylie, a Scot who is chairman of Timex Electronics in the US and was once manager of the Dundee facility.

The Timex dispute is in its

fifth month. Since the company sacked its entire 340-strong hourly paid workforce in February it has been busying in a replacement workforce. Earlier this month the sacked workforce contemptuously rejected terms negotiated by the AEEU which the union said represented a 27 per cent cut in pay and benefits.

Mr Hall had become a hate figure for the sacked workforce, 80 per cent of whom are women. His departure is seen as a victory by the strikers and could make it easier for them to accept terms from Timex management. But there was no

sign last night that Timex was prepared to change its position, while leaders of the sacked workforce said their position was unchanged. "We don't believe there will be an early settlement," said Mr John Stewart, a member of the Timex strike committee.

The strikers want to win back their jobs on conditions similar to those under which they were working before they were sacked, and would if necessary accept the eviction of the 290 hired to replace them.

They believe pressure is mounting on Timex, partly because of the damage the

company's image is suffering, and accept that the closure of the plant is a possibility.

Timex has insisted that production was being maintained and that it needs to increase its workforce to meet new orders. David Goodhart in Zurich writes: Mr Bill Jordan, president of the AEEU, welcomed the news that Mr Hall had left and said it was a "necessary but not sufficient condition for finding a resolution". Earlier he had denounced Timex as "the unacceptable face of the multinationals" at the International Metalworkers Federation congress in Zurich.

## PRT reform cuts licence applications

By Deborah Hargreaves

THE OIL industry withdrew applications for seven North Sea exploration blocks in response to the government's proposed changes to Petroleum Revenue Tax.

PRT reforms will reduce the rate of tax paid on existing fields but abolish tax relief for exploration work.

But Mr Tim Eggar, energy minister, said the withdrawals had not significantly affected the success of the latest offshore licensing round which was the largest for 20 years.

The government yesterday awarded 110 blocks for offshore oil exploration out of the 484 put on offer as part of the largest range of offerings since 1972. Oil companies showed a lot of interest in important new areas for exploration such as the area west of the Shetland Isles, and Cardigan Bay off the Welsh coast.

Mr Eggar said of Shetland: "I think we are on the verge of proving up a major new province which will be very significant for the future of the industry and UK oil production."

Mr Eggar added that along with the withdrawals, some companies had altered their original work programmes in response to the tax change.

## TV takeover code may change

By Raymond Snoddy

THE INDEPENDENT television industry's resistance to relaxing the rules on takeovers began to crumble yesterday as the four biggest companies were joined by others supporting change.

By the end of a 90 minute meeting with Mr Peter Brooke, the national heritage secretary, the national heritage secretary companies controlling more than 70 per cent of ITV advertising revenue made it clear they were prepared to accept takeovers among the nine largest companies.

If there is to be a change in the ownership rules it would have to come this autumn.

From January 1 European Community companies will be able to take over ITV companies subject to the approval of the Independent Television Commission.

The main case for change was put by the four largest companies, Carlton Television, Central, London Weekend, and Granada Television. But they were later joined on a qualified basis by Yorkshire and Scottish Television.

Mr Michael Green chairman of Carlton Television, holders of the London weekday licence and the largest ITV franchise holder said after the meeting: "The majority view, by my calculation a minimum of 70 per

cent of ITV, stated that there was a need for change and the secretary of state certainly heard this loud and clear."

The need for any immediate change in the ownership rules was opposed by Anglia, HTV and Meridian Broadcasting.

Mr Louis Sherwood, chairman of HTV, the ITV company for Wales and the West of England, told Mr Brooke he would rather his company was controlled from continental Europe or the US than Birmingham.

Mr Richard Branson of the Virgin Group has proposed an imaginative radio frequency swap to the BBC to end the growing row over the fate of

Radio 4 on longwave.

The BBC has run into problems over its plans to launch a 24-hours a day rolling news service on longwave and restrict Radio 4 broadcasts to the FM frequencies. This would cut off a much-loved radio service to those who do not have an FM radio, and continental listeners would no longer be able to listen to Radio 4 on longwave.

Mr Branson has a different, and he hopes complementary, problem. In April he launched the UK's first national commercial pop station - Virgin Radio 1215 - on medium wave a frequency he believes is hardly suited for music.

## Lloyd's syndicates postpone cash calls

By Richard Lapper

MORE THAN A dozen Lloyd's syndicates are to postpone part or all of their calls for cash, softening the impact of record losses on the Names who provide the market's capital.

Lloyd's expects to report losses of up to £2.8bn for 1990, its latest underwriting year, next week.

Syndicates delaying calls for cash from Names include Cater Allen 190, Barder & Marsh 62, Janson Green 79, Bankside 197, Methuen 483, Murray Lawrence 920, and Castle 1021. A

number of syndicates managed by Sturge Holdings, the market's biggest agency reported they would take similar action last weekend.

"Some Names will be able to defer all cash calls for 12 months. It is a very satisfactory development," said Mr Julian Crispin, chairman of Sedgwick Underwriting Agents, one of the largest members' agents at Lloyd's.

The change is possible because although syndicates must make a full provision against potential claims, payment is sometimes not made

for many years. Sturge said it had negotiated an arrangement with its bankers whereby they will provide a contingency line of credit if payment becomes due earlier than expected.

Meanwhile, it has emerged that five agents may not be prepared to continue managing syndicates into 1994 as a result of disagreement over elements of the Lloyd's business plan introduced in April.

Chairman Underwriting Agency, Knightstone Holdings, Christofferson Heath, Atrium Underwriting and Hardy all gave notice to members' agents

before the end of last month.

Several of the agencies are opposed to the imposition of an across the board maximum agency fee of 0.5 per cent.

Mr Roger Heath, chairman of Christofferson Heath which manages two of the market's largest motor syndicates, said his agency faces a sharp fall in income as a result of the changes to the fee structure.

The agency currently charges Names a fee of 1.75 per cent to help it meet higher expenses associated with motor underwriting.

## Trafalgar, GEC and BICC form rail group

By Andrew Taylor,  
Construction Correspondent

GENERAL Electric Company (GEC), Trafalgar House and BICC, three of Britain's biggest industrial groups, are joining forces to bid for some of the very large privately financed rail projects being promoted by the UK government.

GEC announced that it is taking an equal share in Euro-rail, jointly owned by Trafalgar House, the construction, property, shipping and hotel group and BICC engineering and construction group.

The emergence of the grouping comes as one of the strongest indicators yet of private sector enthusiasm for the government's attempts to attract private funding into public infrastructure.

Euro-rail said yesterday that it would seek to work with the government agencies in the development of the £2.5bn Channel tunnel rail link; the £2bn CrossRail project under London and a proposal to improve the main west coast railway line between London and Glasgow expected to cost at least £900m.

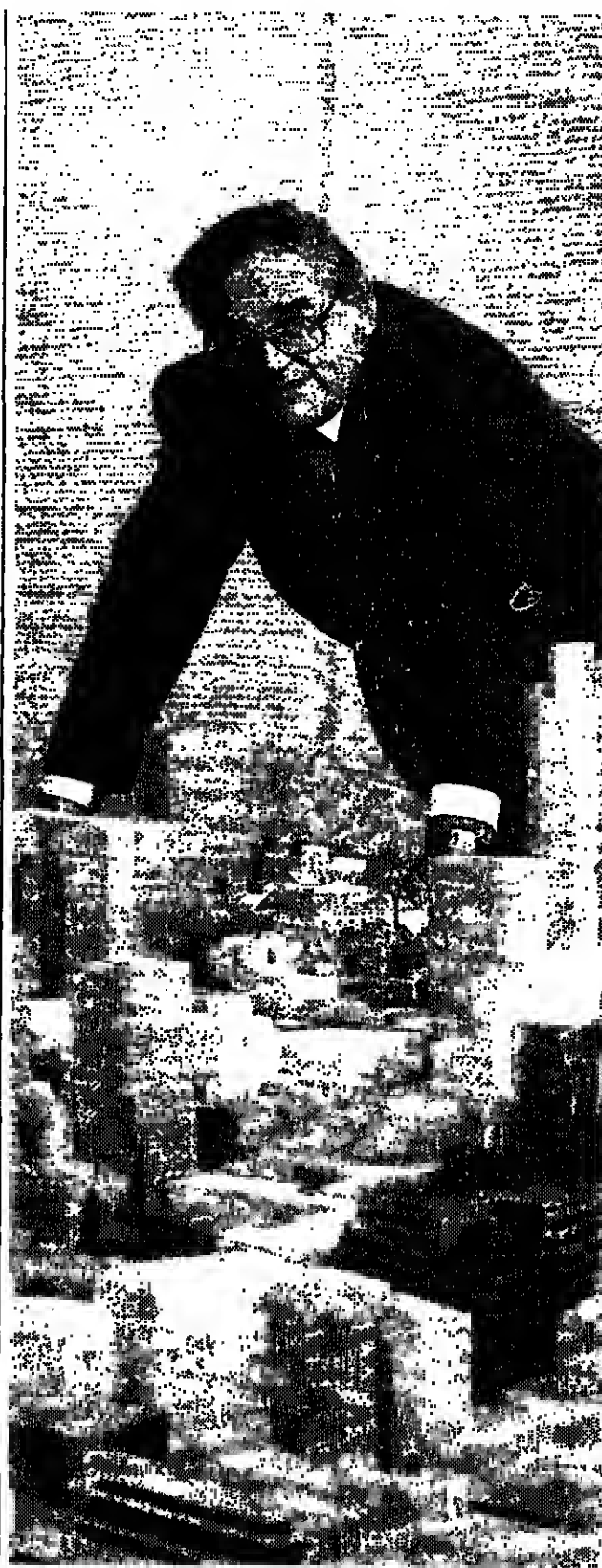
Lord Parkinson, a previous Conservative secretary of state for transport under, was yesterday appointed chairman of Euro-rail.

Lord Parkinson in 1990 rejected a joint bid by BICC, Trafalgar House and British Rail to build the proposed high speed rail link between London and the Channel Tunnel because the public subsidy required by the companies was regarded as too high.

Ministers recently have adopted a more positive attitude towards joint ventures between private and public sector interests investing in infrastructure projects.

The addition of GEC to Euro-rail will complement the engineering and construction skills of Trafalgar House and BICC as well as providing access to GEC's financial strength.

The group owns 50 per cent of GEC Alsthom, the Anglo French railway engines, rolling stock and power equipment joint venture.



ECONOMY OF SCALE: Eddie George, who becomes Governor of the Bank of England at the end of June, with a model of the City of London which is part of the Capital for Business Exhibition that opens today at Stanhope's Ludgate development

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## NEWS: UK

Downing Street seeks course which would avoid both tax increases and severe cuts in welfare spending in budget

## Major seeks to end disarray over state borrowing

By Philip Stephens,  
Political Editor

MR JOHN MAJOR's office yesterday sought to put an end to cabinet disarray over the government's tax and spending policies by insisting it could reduce state borrowing without breaking its election pledges.

Downing Street's stance reinforced the impression that Mr Major wants Mr Kenneth Clarke, the new chancellor, to avoid both increases in income tax and draconian cuts in

welfare spending in the November budget. Senior officials stressed nothing has been ruled out ahead of the budget. But Mr Major appears determined to stress the priority of sustaining the economic recovery and of maintaining tight spending controls, thus downplaying the possibility of further tax increases.

The prime minister said last week that about 70 per cent of the £50bn-a-year deficit could be attributed to the impact on spending and revenues of the recession rather than to

"structural" imbalances in the government's finances.

His insistence yesterday on sticking to the manifesto followed conflicting ministerial statements on how the government might square the apparent circle between pledges to hold down taxes, increase spending and reduce borrowing.

In an apparent left/right split in the cabinet, Mr Michael Heseltine, trade and industry secretary, suggested at the weekend that pre-election commitments could no longer be regarded as sacrosanct.

But Mr Peter Lilley, social services secretary, and Mr John Redwood, Welsh secretary, both rejected the idea that the government could renege on its income tax pledges.

Mr Clarke will underline his determination to curb the borrowing requirement in his first keynote speech to a City audience at the Mansion House this evening.

On Thursday the cabinet is expected to endorse public spending ceilings for the next two years at least

as tough - if not tougher - than the £253.6bn and £263.3bn cash totals agreed last autumn for 1994-95 and 1995-96.

Senior officials said that the prime minister's reaffirmation of manifesto commitments did not foreshadow any relaxation of the prospective squeeze on spending. The vague terms in which the manifesto was framed allowed latitude on both

spending and taxation changes, the officials said. In theory, though not in practice, even a temporary rise in

income tax could be said to be consistent with the document.

But in a significant change in rhetoric both Mr Major and Mr Clarke are now emphasising that the pre-eminent role in tackling the deficit of sustained economic recovery.

The implication is that the combination of resumed growth, the constraints on public spending already in place and the £10bn-a-year of tax increases in the pipeline will eventually bring down borrowing to sustainable levels.

## Spurs court battle goes against Venables

By John Mason,  
Law Courts Correspondent

MR ALAN SUGAR, chairman of Tottenham Hotspur, last night sought to impose his authority on the troubled football club after winning the first round of his legal battle with Mr Terry Venables, whose dismissal as chief executive was upheld by the high court.

Speaking with some bitterness, Mr Sugar said that he and his family had been put through "hell" by Mr Venables and that the north London club would now be run on "correct" business lines.

As some fans threatened to boycott ticket sales and the club was warned that several players might not renew their contracts, Mr Sugar said that Mr Venables had no future at Tottenham except in his role as non-executive director. "We don't want him at the club," said Mr Sugar, "and if I have anything to do with it, he's not coming back at all."

Mr Sugar was speaking after a senior High Court judge rejected a bid by Mr Venables to extend the injunction preventing Mr Sugar and the Tottenham board from sacking him as chief executive.

Hundreds of Spurs fans again demonstrated their support for Venables cheering, clapping and chanting "we'll support you forever" as he left court. Some said they would starve the club of ticket sales.

Mr Eric Hall, Mr Venables' commercial agent who also represents several Spurs players, said after the hearing: "I represent about 13 players at Tottenham Hotspur and they've all told me in the last couple of days that they certainly will put in for transfers and leave Tottenham Hotspur."

Mr Venables insisted that he would pursue his court battle to force Mr Sugar to sell him his 47 per cent share in the club. Mr Sugar said he would fight that move vigorously.

The legal battle between the two men will resume in the autumn or early next year.

## Britain in brief



## Commercial property values hold

Commercial property values have stopped falling for the first time since 1989, according to a report by Hillier Parker, the firm of chartered surveyors. It provides the first statistical evidence that the worst property recession for 50 years is over.

The surveyors say that average commercial property values, which fell by 42 per cent from their peak in 1989, have risen by 0.2 per cent since May.

The greatest improvement was registered in the retail market, where values rose by 0.8 per cent, followed by the office sector, where values rose by 0.1 per cent. Industrial property continued to fall in value, with a decline of -0.6 per cent.

## Challenge to 1.5% pay target

The government's 1.5 per cent public sector pay limit faced its first real challenge after it was rejected by leaders of 500,000 local government workers who fear the ceiling being extended to next year.

Delegates representing clerical workers who belong to Nalco, the public services union, called on the union to campaign against the pay ceiling and threatened a strike ballot over the issue.

## Aintree to change start

Aintree Racecourse officials rejected criticisms by an inquiry into the false starts at the Grand National in April, but said starting procedures would be changed for next year's race.

The world's most popular steeplechase, watched by 50,000 on-course spectators and millions of television viewers worldwide, had to be abandoned after two false starts.

The inquiry, which was



The trireme Olympias, replica of a fifth century BC Greek vessel, at Putney, west London yesterday. The ship was freighted from Piraeus to celebrate the flowering of democracy 2,500 years ago in Athens.

headed by a leading member of the Jockey Club, horse racing's ruling body, strongly criticised the "grey gate" starting system - a tape stretched across the 65-yard width of the course - as outdated and inadequate.

It said the Aintree executive and the Jockey Club should have replaced it.

The Jockey Club will study the report today before deciding whether to initiate a disciplinary inquiry.

## Crime hits half of businesses

Nearly half of all small businesses have been the victims of crime, according to a survey published by the Forum of Private Business.

Of 2,670 companies surveyed,

45 per cent had been affected by crime. Burglary was the most common problem affecting 45 per cent of businesses which had been victims of crime. It was followed by vandalism (31 per cent), theft (27 per cent), vehicle crime (24 per cent), shop-lifting (17 per cent), and fraud (11 per cent).

## Foden signals truck recovery

Foden, the Cheshire-based truck maker owned by Faccor of the US, has recruited 80 additional employees to cope with what it describes as sharply rising demand for its vehicles in the UK.

The move, which increases Foden's work force by 20 per cent to 480, provides another tentative sign that the UK truck market is starting to

recover from its most severe recession since the Second World War.

## MG launch by Rover

Rover is to re-enter the European sports car market with the launch of a new range of small, competitively-priced MG sports cars in 1995.

It reached agreement on an innovative joint production venture with Mayflower, the specialist UK engineering company, which will invest in the MG development programme and share in the profits.

Code-named PR3, the new MG sports car is expected to be a mid-engined roadster priced from around £15,000.

Output is planned to reach 15,000 to 20,000 a year, and the new range is also expected to be sold in Japan. It will be powered at the top end of the range by Rover's K-Series engine in a new 1.6 litre version, which is currently under development.

Rover, the motor vehicle subsidiary of British Aerospace, is seeking to resurrect one of the world's best-known sports car marques more than a decade after MG was killed off by former British Leyland chairman Sir Michael Edwardes as part of the rationalisation of the then heavily loss-making, state-owned UK carmaker.

The new model is designed to return MG to mainstream sports carmaking, a market segment dominated in recent years by Japanese carmakers with products such as the Mazda MX-5, following the earlier demise of UK makes such as MG and Triumph.

## Soft demand in Europe threatens export upturn

By Paul Chesswright,  
Midlands Correspondent

FORTUNES in the engineering industry are being held back by softening demand in continental European economies, especially Germany, and the competitive advantage created by last September's devaluation of sterling is being diminished.

These are the conclusions of a survey carried out by the Engineering Employers' Federation, who surveyed 470 companies in the West Midlands. The survey shows that although the proportion of companies reporting a rise in domestic orders rose to 46 per cent in May from 36 per cent in February, a reverse trend has started for export orders. Last February 30 per cent of companies reported an increase in export orders; this has now slipped to 27 per cent.

"Recovery will be muted if major export markets are moving in the opposite direction to our own," warned Mr David Botherill, chief executive of the regional EEF. He said that the competitive position of engineering companies in European markets has been enhanced by sterling's devaluation, relatively low labour costs and by the growing readiness of German companies to seek supplies in

lower cost markets. He noted that, on the basis of the EEF's own information, German companies are attempting to reduce their own costs by putting pressure on price reductions on suppliers.

Despite the problems in Europe, 68 per cent of West Midlands engineering companies, compared with 42 per cent in February, have growing orderbooks.

This has been translated into a greater use of factory capacity and, for the first time since summer 1989, save for a blip after the 1992 general election, raw material stocks have shown net growth.

Although higher purchases of raw materials may reflect confidence, some companies appear to have been accumulating stocks to avoid anticipated rises in import costs following sterling's devaluation.



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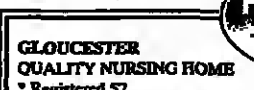
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## LEGAL BRIEFS





## TECHNOLOGY

## Keeping tabs on thieves

Every time you buy an electric drill or a pair of shoes, part of the price covers "shrinkage", that retailing euphemism for theft. One problem for retailers is that about 35 per cent of thefts (total thefts cost between £2.5bn and £3.5bn a year in the UK) are carried out by their own employees.

Eliminating employee pilfering is one advantage of a system being developed in the UK which has united retailers, equipment manufacturers and packaging companies under the auspices of the Centre for Exploitation of Science and Technology. The project's purpose is to develop a way of tagging items during the manufacturing process. In such a way that would be thieves cannot distinguish whether an item is tagged or not.

Source tagging would also eliminate the time-consuming task of attaching electronic article surveillance (EAS) tags once the goods reach the stores; one type of tag could be used to protect everything from tea bags to CDs.

Cost's Martin Swerdlow says that the present worldwide market for EAS equipment is worth \$350m-\$500m (£227m-£325m) a year. He predicts, however, that if source tagging takes off the market will grow to \$10bn-\$20bn within five years.

Cost has already produced a "road map" for the development of source tagging and the first element, the 20-micron wide sliver of magnetic tape which will be incorporated in products, is available at less than 1p per item. The task now, says Swerdlow, is to look at the best way of inserting the tape into plastic, cardboard, paper and even metal.

Once the tag is in place, it can be activated by orientating the magnetic strip to emit a signal. This is picked up by equipment at store exits if goods are stolen. With legitimate purchases the tag, which is positioned near the bar code, is deactivated - switched off - when the assistant reads the bar code at the point of sale. A full demonstration system should be in place at a CWS store in Slough, Buckinghamshire in 18 months.

Della Bradshaw

Every morning, in common with millions of other people around the world, researcher Walter Bender reads his daily newspaper over breakfast. But the publication, nicknamed Bender's Bugle, is far from the usual daily read.

It really is his very own newspaper, delivered to his personal computer and reflecting his tastes and interests. The tailor-made publication is assembled overnight from the near-limitless choice of words available in electronic form from the news agency databases of Associated Press, Reuters and Dow Jones.

Bender is interested in cycling, so the computer picks out cycling articles and puts them on his front page alongside news of world events. Bender is a researcher at the Media Laboratory at the Massachusetts Institute of Technology and one of a group which has launched a far-reaching programme of research on news in the future.

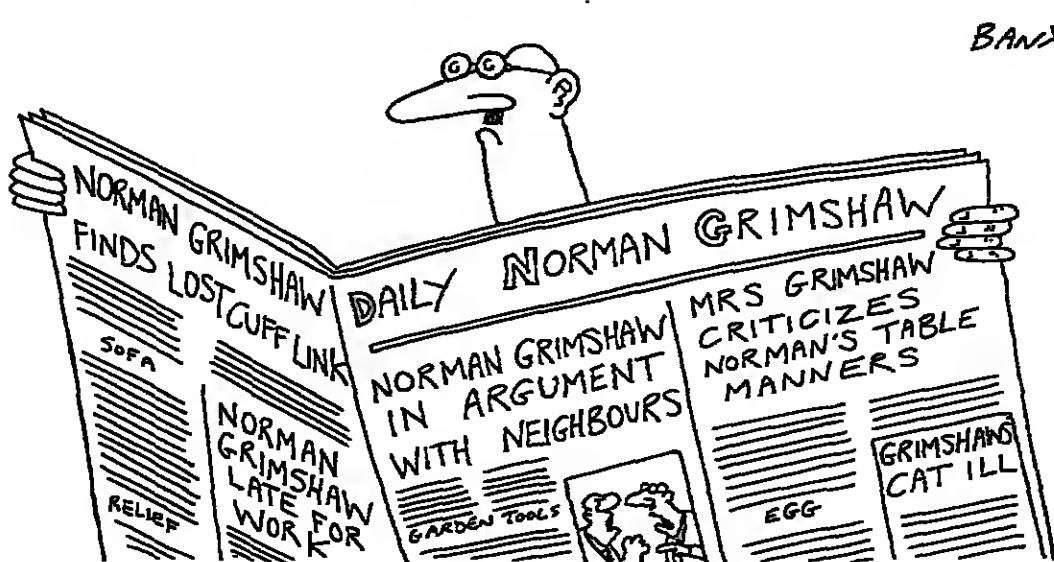
Underlying 14 projects - ranging from computers that can "understand" and select the news, to the use of ovals as a tool for learning - are two propositions: that the era of mass media is giving way to the era of personal choice; and that all media, whether television, radio or print, are being driven together by digital technology and turned into the equivalent of bits of computer information.

All media organisations, according to Nicholas Negroponte, director of the Media Laboratory, are now in "the bit radiation business". Work is already under way on the practicalities of delivering personalised newspapers in the form most people would like them - words printed with ink on paper and laid out in a form resembling a conventional newspaper.

The Media Laboratory is trying to develop reusable paper so that newspapers can be printed in the home in large format. "You want 15 magical pieces of natural paper and when you've finished today's paper you stick it back in the machine and it erases today's paper and prints tomorrow's."

"There's going to be a huge uproar over the next four or five years about dead trees. And printing in the home is not necessarily going to be more expensive than current delivery systems," he claims.

He first proposed founding the Media Laboratory in 1978 in the belief that the worlds of computing, publishing and broadcasting would converge. By the time \$50m (£32m) had been raised to start the venture in 1983, many of the things he had predicted were already beginning to happen. In particular the widespread use of personal computers. Making PCs easier to use and



## Reinventing the media

Computers, telecoms and publishing are converging, says Raymond Snoddy

improving both the design and clarity of the words that appear on computer screens has also been one of the underlying themes of the Media Laboratory's work.

Funded 80 per cent by industry and 20 per cent by the US government, the Media Laboratory has 75 sponsoring companies, including the largest names from the world of media, computers and telecommunications. They include Knight-Ridder and Reuters, Apple and IBM, BT and Deutsche Bundespost.

Many of the dozens of ideas under investigation at the laboratory's elegant headquarters in Cambridge, Massachusetts involve the admittedly futuristic. One long-term project involves holographic video. Already, researchers using large-scale computing power can project and manipulate the holographic image of a car. Within five years or so the technology could be used in medicine to display images of the human body.

Other work is more immediate. Media Laboratory researchers contributed some of the sophisticated code which controls the movement of the dinosaurs in the compact disc game being released with Jurassic

Park, the new Steven Spielberg film.

Researchers were dismissed as "nuts" when they proposed putting computing power into children's bricks. Now this is the basis of a successful programmable toy.

The laboratory's researchers also claim a contribution to the development of PS/2, IBM's top-of-the-range PC. "I can open a PS/2 and point to circuits that came out of the Media Laboratory," says Negroponte.

Even though not all the ideas generated by the Media Laboratory will find their way into products, many heavyweight industrial backers are happy to pay their share of the \$12m-a-year running costs, just in case. As sponsors, they have access to the venture's work.

There are few serious media organisations which are not watching closely the convergence of computers, telecommunications and broadcasting in a new digital world and trying to work out the implications for their businesses.

According to Negroponte, every computer company at the highest end of the market is now involved in multi-media, while television manufacturers are also putting more computing power into their products.

But in the broadcasting equipment market, he believes the computer companies will emerge victorious over traditional manufacturers.

"In five years' time, you will go to broadcast studios and see logos that say IBM and Digital Equipment. You won't see Ampex or Grass Valley. They don't bring anything to the market any more. You are not doing video any more. You are doing general signal processing," says Negroponte.

He predicts that hundreds of new television channels and the ability to squirt film down telephone lines will create a video-on-demand business worth \$200m a year in the US alone. Forecasting is not, however, the way Negroponte describes what the Media Laboratory does. "The best way to predict the future is to invent it. We are not forecasting. We build working prototypes. The 200 people here are inventors."

This includes the Media Laboratory researcher who, Negroponte says, has just discovered how to put 5,000 hours of piano music on a single compact disc. Negroponte has told the researcher he will probably have to live the rest of his life with Fatwa-threatened author Salman Rushdie if the music industry finds out.

Geoffrey Davies looks at developments in the newsroom

## Tape hits the cutting floor

Broadcasting from tape could soon be a thing of the past as television stations make increasing use of computers and special software to replace traditional tape technology.

New tapeless editing equipment, developed with the help of the British Broadcasting Corporation and Cable News Network of the US, is being launched at this week's hi-annual TV equipment show in Montreux, Switzerland.

Called the "NewsCutter", it is a full news-style edit suite of tape machines and monitors on an Apple computer which is capable of broadcasting directly to air. Both the BBC and Independent Television News, its UK rival, are evaluating the product and Avid hopes other European broadcasters will show a strong interest.

Avid's equipment works through the compression of digital pictures, with data squeezed into ever smaller spaces on hard disc. It then uses other software to allow editors to call up pictures instantly from disc.

Based in the US, Avid is prominent in the tapeless editing market. It will shortly open a European service and distribution centre outside Dublin.

Avid's move into broadcast news has been helped by a partnership with Silicon Graphics of the US to provide equipment which allows video to be swapped between different machines in the newsroom.

The process of editing video on disc is called "non-linear" because it is not done in a line, as with normal editing on tape. It is akin to moving paragraphs within a document on a word processor.

Avid is one of several companies selling into this growing market. But unlike competitors such as Lightworks and Eidos, both of the UK, which have tended to stay with commercials and broadcast programming, Avid is involved with both news and feature film production.

Stephen Crumney, vice-president of world sales and marketing, says there are more than 1,500 Avid machines installed world-

wide, 100 in Hollywood alone. Avid adapted its Film Composer for film use from the Media Composer, which was designed for Pal or NTSC television standards. Based on a powerful Apple Quadra 950 computer, Film Composer transfers images from tape or film on to hard disc, a process called "digitising".

Shots are labelled using the keyboard and then read by the computer as reference numbers, usually based on the time-codes recorded during shooting. Shots can then be laid out in the edited order to run as a sequence.

To change the sequence, the film editor simply re-orders the sequence in which the shots are to appear. Once a shot is moved, it can be viewed instantly in its new position. When the edit is agreed, the list of edit numbers is taken on a floppy disc and the originally shot material is then reassembled in the new editing order.

The Media Composer has 24 channels of compact disc quality sound which can be dubbed and mixed while the pictures are being edited. The completed sound track is then added to the edited pictures. The BBC's political programme, On the Record, has been working this way for more than a year.

But the big breakthrough for the industry is the ability to obtain broadcast-quality pictures directly from hard disc. This results from developments in video compression and disc speed. One second of broadcast-quality television represents 25 megabytes of data. This is compressed nearly tenfold to about three megabytes. Taped pictures which have been digitised can be held on removable hard drives of about 20 minutes' airtime.

One impact of the technology will come in the area of cost. Avid's NewsCutter, costing \$50,000 in the US, is half the price of an equivalent edit suite. Also, the new equipment needs no special installation such as wiring and air conditioning. The BBC has already stopped using several edit suites since it first introduced non-linear editing.

## PEOPLE

## At 40 to Forte

The rejuvenation of Forte, Britain's largest hotel and restaurants group, continues with the hiring of United Distillers' Keith Hamill (below) as chief financial officer and finance director designate.

Last month, Lord Forte handed the helm to his son, Rocco Forte, and a handful of other directors, with over 200 years of service to the company between them, also stood down from the board. At the same time, the company has also been actively recruiting at just below board level over the last year or so. "It is a much more forward-looking group



than it was a year or eighteen months ago," comments Peter Hillier, an analyst at BZW.

Forte has arranged for a considerable handover period, as the current finance director, Donald Main, who has been in the job since 1981, does not retire until the end of 1994 when he turns 60. Main says he expects Hamill, 40, to move onto the board as finance director at the beginning of next year, leaving him with time to devote to other areas, notably disposals.

Meanwhile, colleagues at United Distillers express no surprise that Hamill is off after

Philip Yea, the 37-year-old director of Guinness Brewing Worldwide, was appointed Guinness group finance director designate in a reorganisation initiated as Tony Greener took over as Guinness' chairman at the turn of the year.

Hamill was previously a partner of Price Waterhouse, engaged on the Guinness audit at the time of the scandal, joining the company full-time eighteen months after Ernest Saunders resigned. Analysts agreed that in addition to his accountancy skills, he had already demonstrated considerable commercial savvy, which would be important for his new role at Forte.

Of his workaholic reputation among Distillers' colleagues Hamill says: "Now I have turned 40, I have set myself objectives of being less of a workaholic." He points out that he is keen to keep a variety of outside interests - he is chairman of the CBI financial reporting panel, a member of the urgent issues task force of the Accounting Standards Board (where Main is a member of the board), and is very active for his alma mater, Nottingham University.

Main sits on the board of the Savoy, the luxury hotel group with which Forte has clashed frequently in its takeover attempts during the last decade. But he was non-committal as to whether he would be stepping down in favour of Hamill. "It's so far away I can't really say" was Main's comment yesterday.

## Harmon post

James Harmon, chairman and chief executive officer of Wertheim Schroder, and a director of UK merchant bank Schroders, has been appointed a non-executive director of The Rank Organisation.



Lord Carrington has been appointed a non-executive director of Chime Communications, the holding company of public relations advisers Lowe Bell Communications Group. Lord Carrington was foreign secretary from 1979-82. He has just stepped down as chairman of Christies International and last year was chairman of the EC conference to resolve the Yugoslavian conflict. Chime Communications is chaired by Sir Tim Bell.

## Lloyd replaces Lloyd

Peter Lloyd, one of the founders of the insurance and reinsurance broker, Lloyd Thompson, is to retire at the end of the year. He will be replaced by his namesake and co-founder, John Lloyd.

Peter Lloyd, 55, and will advise the group on its Norwegian marine business, while John Lloyd, who has held several senior positions within the group, will maintain his responsibilities for the group's energy accounts.

## Insurance moves

Keith Moyle, finance and underwriting director, has been appointed general insurance director of TSB General Insurance.

John Kavanaugh has been appointed md of BAIN CLARKSON'S international division, taking over from David Berland who remains chairman of the division and deputy chairman of Bain Clarkson.

James Hughes-Hallett, a senior director of the Swire Group, has been appointed to the board of SWIRE FRASER.

Nigel Alexander has been appointed a director of DOMESTIC AND GENERAL.

Martin Witherley, previously director of human resources at Robert Bosch's UK subsidiary, has been appointed group personnel and organisation director of ALLIED DUNBAR.

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مكتبة الأصيل



# Saved, but only by its Bacon

William Packer finds the Venice Biennale an ill-assorted mess

This, the 45th Venice Biennale, actually moved on an extra year this time to get onto the odd numbers in readiness for its centenary in 1995. It is larger than ever, not only in its various manifestations at sites across the city and out into the lagoon, but also in the scope of its critical ambition. That is not to say it is any the better: indeed, it is overall an ill-assorted, uncritical and self-indulgent mess.

In the days when the Biennale was more or less confined to its principal site in the public gardens of the Castello in a huge central pavilion surrounded by its satellite national pavilions beneath the trees, there was always the chance at least of a certain concentration of attention, if only for the sake of a reasonable comparative discrimination between the particular contributions. Even the bringing of *Aperio*, theselective international survey of younger artists' work, closer to hand at the *Cordier* might once have been seen in this respect as the bringing of an unruly offspring somewhat to heel.

But *Aperio* is irredeemably delinquent and unbidable, devoid of talent or interest, merely thrashing around in the playpen of late 20th-century academic modernism, without even the possibility of some personal development that the average playschool would offer up in modest justification. And increasingly the *Aperio* seems to set the tone of successive Biennales, the tail that wags the dog.

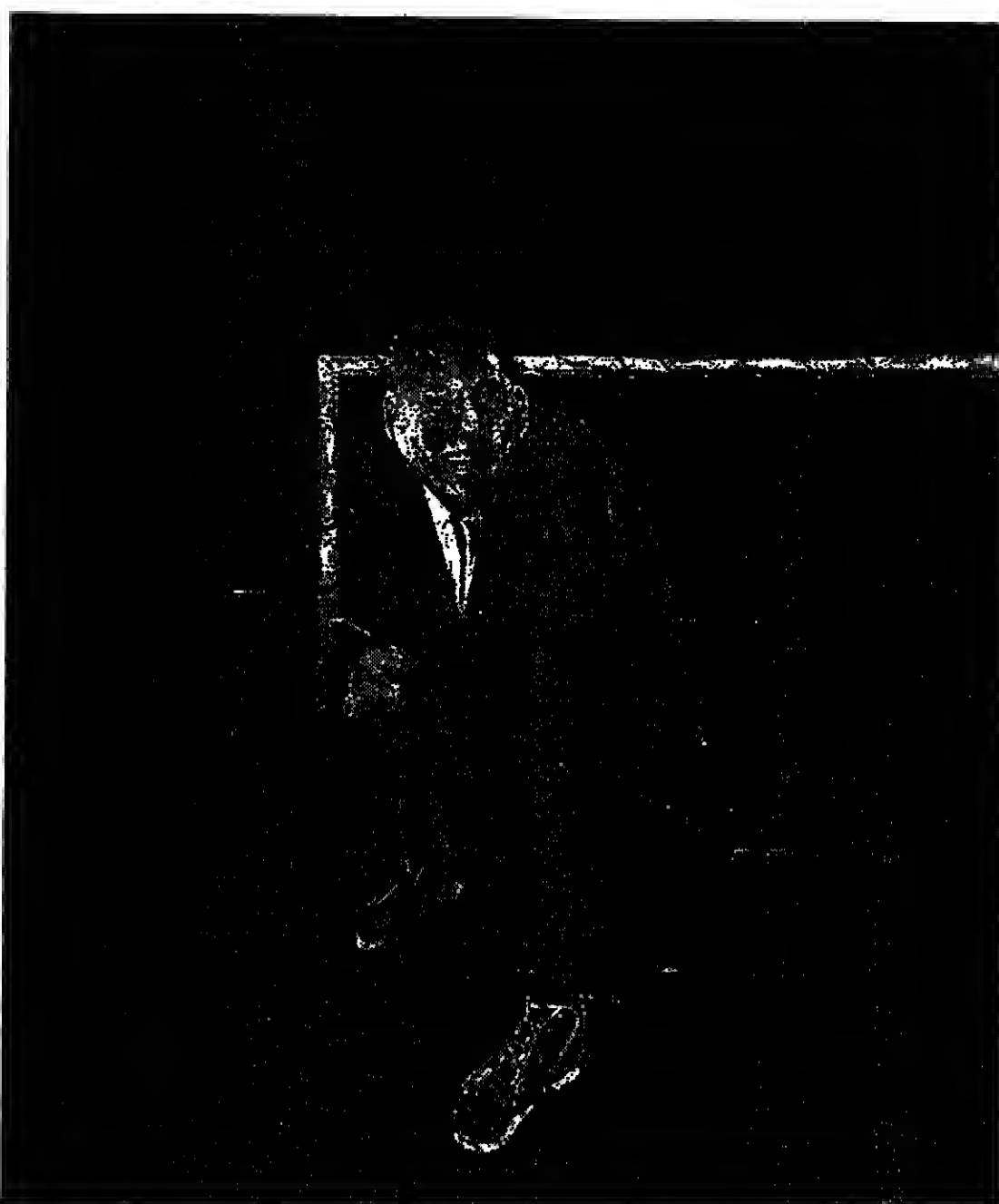
Achille Bonito Oliva, the new director of the Biennale, gives us "the cardinal points of art" as his curatorial theme, setting out "to document the transition within contemporary art from the concept of nomadism to that of the journey, wherein art's search for orientation in this epoch of epistemological crisis is conducted within its own points of reference". Well, we see what he means. Do your own thing and anything will do. Installation is the universal convention, and if you have a video screen to perk it up a bit, so much the better.

In any such jargon, of course, there are bound to be beautiful and interesting things and I shall return to the matter and substance of the

Biennale at the weekend. But of all the several features of the Biennale as it has developed over recent years, one seems more and more to be positive, useful and redeeming. The *Omaggio*, a tribute paid by the Biennale to a senior and distinguished artist, is given this time to Francis Bacon, who died a little over a year ago. David Sylvester, who himself has been given a Golden Lion at this Biennale for his life's work as a critic and curator - a unique award in that he is not an artist - was asked to select the work, and worked with the British Council on its presentation.

Thank goodness for small mercies. The result is quite simply the outstanding exhibition of this Biennale, as indeed it would have been at a Biennale far better than this. It is by no means large, a mere 32 works in all, but it carries an enormous punch. For Sylvester managed to obtain the greater part of his desired selection and has included a significant number of the large triptychs. It is beautifully presented in the Museo Correr, in the Piazza San Marco, quite rightly centre stage. As a celebration of the achievements of a particular artist it holds its own not just in the context of the Biennale but in this, the city of the greatest painting.

More to the point, it is a show that effectively modifies, or rather shifts one's view of Bacon and his work. I had always felt that his standing as one of the truly great painters of the later 20th century rested upon his work of the first 20 years or so of his career, from the first small triptych of 1944, of figures at the base of a crucifixion, to the first Tate retrospective of 1964, of which Sylvester again was the curator. What followed was impressive and consistent enough to sustain his reputation, but did not exactly take it further. It was as though the range of his attention had narrowed - no more animals, popes, Van Gogh - the colour became more predictable, even decorative, the space curiously conventional and repetitive, the handling and description of his distorted and rising figures oddly safe and unadventurous. In short, the work had become formulaic to a certain degree.



Tribute paid to Francis Bacon: detail from his 'Self-Portrait', 1956

This show has made me think again, not so much to revise that view altogether but at least to recognise that in certain aspects of the later work the qualities of those first two great decades, the simple dark strength of the organisation of the pictorial space, and in particular its severe and essentially frontal presentation remained. And there are still to be found the simple authority of the imagery, and the raw energy of the painted self in its handling across the surface of the canvas. "Much has changed", as it were, "but much remains", the work still charged and developing

under the hand of manifestly the same creative sensibility.

However, nothing has changed the extraordinary authority or the power to shock of those early works, represented here in remarkable force by a clutch - I use the word advisedly - of gaping, disembodied mouths, teeth bared and rearing all but physically out of the very stuff of the paint itself. There has surely been no painting since Soutine in which the image and the fabric of the work are so bound in to each other - Van Gogh, Goya, Rembrandt, Titian: it is a long and great tradition.

Bacon did not declare himself as a great artist until he was 35. He was in his pomp thereafter for nearly 50 years more, and was 83 when he died. He stood supreme in our time, yet curiously isolated as the last true surrealist, expressionist and, in his own peculiar way, romantic. There could be no better summary of his achievements than this exhibition.

Francis Bacon. Museo Correr, Piazza San Marco, until October 10; sponsored by Seat Automobile. The 45th Venice Biennale throughout the city also until October 10

## Theatre/Andrew St George

### Springboards Festival: 'Syme'

Civil Servant will be safe if, in the performance of his or her duty to the Community, he or she expresses an opinion contrary to some one in authority over them." That is the issue.

Between 1910 and 1931, Syme conducted a blazing public relations and duty within the establishment. It included 10,000 pamphlets to opinion-formers, and a deluge of fruit and veg pelleted at the Home Office, rather like a bustings scene from

Smollett. Syme was imprisoned 27 times on various grounds, including lunacy. On each occasion he staged a hunger strike, as if the sentence were little more than a spell at Champs. In 1931 he was retroactively pardoned and reinstated. During this time, this apparently inveterate convict founded the National Union of Police and Prison Officers.

This makes engaging if not dramatic theatre, well directed by

Anthony Clark, who gets versatile performances from all seven cast. Claude Close as Churchill, Peter Macquieen as Syme and Maria Cough as his tireless wife are particularly attuned to the times. The fine ensemble between Syme and Home Secretary Churchill, standing at the top end of a sloping desk, manages a visual metaphor for social and political power. Elsewhere, the barge-footed policemen are just jolly coppers on parade.

"Rules is rules, Inspector Syme, and the law is the law."

The play's 31 scenes march briskly forward to music hall and military bands. The tunes are so like de Souza's *Liberty Bell* and the designs (Ruairi Muchison) so redolent of Terry Gilliam, that the show has an air of Monty Python.

In fact, *Syme* (written by Michael Bourdages) is in praise of wronged eccentricity. Syme's sad history proves that the English love to revert to rules. And where traditions or customs are the rule of conduct rather than individual character, both individual bapiness and social progress are jeopardised.

has acquired responsibility for all the evils of our generation. *Wedlock* recklessly perpetuates the myth.

Yet it delivers the message with passion. Su Bentinck's set at the Battersea Arts Centre, in which cupboards replace doors, is worrying rather than useful, but the piece spins the imagination, thanks to the music. Warren Mills mans the piano; Anthony Cornish directs.

Antony Thornecroft

BAC 071-223 2223. Until July 4

## Wedlock - The Opera

normality incarnate, is getting married. Sister Kete (Anna-Juliana Clare), gay, sensible, and very much the heroine, advises caution. Sister Rachel (Rosamund Shelleigh), whose problems provide full employment for a stream of social workers, plans to use the ceremony for an act of domestic revenge. Mother Sylvia (Pauline Monro) buries herself in shopping and sherry. Will the ceremony draw the family together, or

provide the catalyst for radical reappraisal?

There is something about music theatre which shrinks characters to a single dimension. It is as if you cannot sing and develop a role at the same time. But the gain is that however simple - not to say banal - the plot, the music can raise the experience. Jones and Wills are not over-ambitious but they have developed an attractive formula, which is

neither opera, nor pop, nor Andrew Lloyd Webber. The songs are simple, but sometimes have an haunting innocence, sometimes a haunting power, and propel a broken backed story line.

Despite yourself you get drawn into this unlikely family, with more skeletons in its cupboard than the Black Museum. Of course, with the predictable child abuse, infidelity, and lies, the institution of marriage

The National Theatre's Springboards Festival of new work in Leicester, Liverpool, London and Salisbury continues at the Birmingham Rep Studio with *Syme*, a curious, quirky play about dissent in the police force.

Inspector John Syme (1875-1946) joined the Metropolitan Police in 1894, was suspended in 1909 and dismissed in 1910 over an incident which set his own liberal practice against the dictates of discipline and duty within the establishment. In *Syme* the police force as a civil organisation, and his dismissal as a worrying gain for officialdom. He wrote in 1925: "in the future... no

Babel Theatre won a London Fringe award for Best Musical last year with *Pin Money Opera*. Now writer Tina Jones and composer Warren Wills have come up with *Wedlock - The Opera*, which takes a mordant, not to say apocalyptic, view, of the run up to a wedding. Marriage rituals have always provided good material for studying contemporary hypocrisies. Add a touch of Lear, with a single parent and three daughters, and you are well on the way to delivering a script.

Sister Sarah (Lisa Bowerman),



## AMSTERDAM

Concertgebouw Tonight: Janos Furst conducts Radio Philharmonic Orchestra in works by Schoenberg and Bartok. Tomorrow, Thurs: Edo de Waart conducts Royal Concertgebouw Orchestra in Strauss, Glazunov, Vaughan Williams and Bernstein. Sat: John Eliot Gardiner conducts English Baroque Soloists and Monteverdi Choir in soloist performance of *Le nozze di Figaro*, with Alison Hagley and Bryn Terfel. Sun afternoon: Stefan Soltesz conducts Flanders Opera Orchestra and Chorus in works by Beethoven and Stravinsky (reservations 671 8435). Beurs van Berlage Thurs: Kenneth Montgomery conducts Radio Symphony Orchestra in works by Torka, Feldman and Gorecki. Fri, Sat, Sun: Fri, ballet by experimental Belgian choreographer Anne Teresa De Keersmaeker. Fri, Sat (Wang Zai): Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in Strauss and Shostakovich. Sun afternoon: Robert King conducts Netherlands Chamber

Orchestra in Vivaldi, Corelli and Geminiani (627 0466). Muziektheater Tomorrow, Fri, Sun afternoon, next Wed: Simon Peltz conducts final performance of Peter Selars' Holland Festival production of *Pelleas et Melisande*, with Philip Langridge, Elise Roes and Wilfried Lange. Thurs, Sat, next Mon and Tues: Dutch National Ballet presents Frankenstein programme, choreographies by Balanchine, Wayne Eagling and Laurie Booth (625 5455). Stadsschouwburg Thurs and Sat: Deutsches Theater Berlin presents two stagings by Thomas Langhoff, Ibsen's *Ghost* and Kleist's *The Broken Jug* (320 2500).

## BRUSSELS

Palais des Beaux Arts Tonight: Philippe Herreweghe conducts Ensemble Vocal Européen in Lassus' *Legende de San Pietro*. Tomorrow: Ronald Zollman conducts Belgian National Orchestra in a programme featuring prizewinner of Queen Elisabeth Violin Competition (507 8200). Monnaie Tomorrow, Sat (also June 22, 24, 27, 29): Antonio Pappano conducts Kurt Horres' production of *Meistersinger*, with José van Dam, Dale Duesing and Margaret Jane Wray (219 6341).

## ANTWERP

ANTWERP 93 This week's performances include Ivo van Hove's arrangement of Shakespeare's *Hamlet* daily till Sat at Bourla, a performance of the set Flemish polyphonic masterpiece

Mis van Doornik performed by Ensemble Organum at St Augustinus on Fri, and sacred music by Josquin Desprez and Pierre de la Rue performed by Ensemble Clement Jaquein at St Augustinus on Sun (226 9300). FLANDERS OPERA The final production of the season is *Manon Lescaut*, the latest in a Puccini series staged by Canadian director Robert Carsen. Evelyn Picot conducts a cast led by Miriam Gaud. Next performances Thurs and Sat, also June 24, 27, July 2 (233 6885).

## CHICAGO

RAVINA FESTIVAL The opening week is devoted to jazz. Tonight's guest is Shirley Horn Trio, followed by Joe Henderson Trio tomorrow, Betty Carter on Thurs, Stephanie Grappell and Ramsey Lewis on Fri, Oscar Peterson on Sat and all-star jam on Sun. Guarneri Quartet plays works by Haydn, Dohnanyi and Schubert next Mon, and the Chicago Symphony gives its first concert on June 25 (Tel 312-728 4642 Fax 708-433 4582).

## FELDKIRCH

The annual Schubertiade, now permanently transposed from Hohenems to Feldkirch, opens tomorrow and runs till July 3, with a special focus on Schubert's Goethe settings. Recitalists in the opening week include Barbara Hendricks, Oliver Widmer, Peter Schreier, Andreas Schiff and Alfred

Brendel (Schubertiade Feldkirch, Schubertplatz 1, Postfach 625, A-6803 Feldkirch, Austria. Tel 5522-38001 Fax 5522-38005).

## GENEVA

● The final production of the season at Grand Théâtre is *Le nozze di Figaro*, in a revival of Nicholas Hytner's staging conducted by Armin Jordan. The cast is led by Marie McLaughlin, William Shimell and Ferruccio Furlanetto. Next performances tomorrow, Sat and next Tues, also June 25, 28, 30 (311 2311). ● Neeme Järvi conducts Suisse Romande Orchestra in four Stravinsky programmes over the next two weeks at Victoria Hall. The first concert on Fri consists of Symphony of Psalms and Oedipus Rex, with Gabriele Schnaut and Franz Grundheber. Other concerts: June 23, 28, July 2 (311 2511).

## VIENNA

Staatsoper Tonight: Die Zauberkolbe. Tomorrow: John Neumeier's ballet *A Midsummer Night's Dream*. Thurs: Siegfried with Siegfried Jerusalem and Hildegard Behrens. Fri and next Mon: Cav and Pag. Sat: Ariadne auf Naxos. Sun: Götterdämmerung (51444 2955). Konzerthaus Tonight: Kurt Masur conducts Leipzig Gewandhaus Orchestra in works by Peter Tchaikovsky and Mahler. Tomorrow: Thomas Zehetmair violin recital. Fri and Sun: Rafael Frühbeck de Burgos conducts Rakhmaninov and Strauss, with piano soloist Oleg Maisenberg. Sat afternoon, Sun morning: Yn

Yo Ma plays Schumann's Cello Concerto. Sat evening: Hans Vonk conducts concert performance of *The Rake's Progress*, with cast led by Yvonne Kenny and Alastair Miles (712 1211). Theater an der Wien Tomorrow: first of four performances of Piccolo Teatro di Milano production of *Goldoni's Le burlesche chiezler* directed by Giorgio Strehler (5883 0237). Akademietheater Thurs: first night of George Tabori's play *Requiem for a Spy* (51444 2959).

## WASHINGTON

THEATRE ● The World Goes Round: award-winning Broadway musical celebrating the careers of composer John Kander and lyricist Fred Ebb, daily except Mon till June 27 (Kennedy Center 202-467 4800). ● Sylvia's Real Good Advice: musical comedy inspired by cartoonist Nicole Hollander's comic strip. Opens tomorrow, till July 11 (Horizon Theater at the Marvin Center of GWU 202-894 6178). ● Much Ado About Nothing: free outdoor performances of Shakespeare's romantic comedy, daily till Sun. Tickets from Shakespeare Theater, Washington Post or Carter Barron (Carter Barron Amphitheater 202-393 2700). ● The Tempest: Washington Shakespeare Theater production. Till June 26 (Sunston Arts Center, Arlington 703-739 9886). MUSIC ● Filene Center Tomorrow: Carole King. Thurs: National Symphony Orchestra presents an evening with Dudley Moore. Fri: Beethoven's

Ninth Symphony. Sat: National Symphony Orchestra Broadway evening (703-218 6500). Blues Alley Jazz Supperclub Tomorrow till Sat: vocalists Dianne Reeves (1073 Wisconsin Ave, in the alley, 202-337 4141). Merriweather Post Pavilion Tomorrow: Lynryd Skynyrd and Bad Company. Fri, Sat, Sun: Jimmy Buffet (301-982 1800).

## ZURICH

JAPAN IN ZURICH This week's highlight is Yukio Ninagawa's version of Euripides' *Medea*, daily from tomorrow till Mon at Theater 11. Modern Japanese dance, choreographed by Fumi Matsuda, can be seen daily till Sun at Areal des Känzleischulhaus. Hiroshi Wakasugi conducts Tonhalle Orchestra in works by Takemitsu, Schnittke and Tchaikovsky on Thurs at Tonhalle, with violin soloist Gidon Kremer. Joji Hattori plays Bach violin concertos with Zurich Chamber Orchestra on Fri. Eiko Furusawa and friends play chamber music by Brahms and Ligeti on Sun. Tickets (221 2263).

## OPERA

Tonight and Sat: Rafael Frühbeck de Burgos conducts Cesare Lievi's new production of *Ariadne auf Naxos*, with Gabriela Benackova, Edita Gruberova, Josef Protschka and Hermann Prey. Tomorrow: Tosca with Mara Zampieri and Neil Shicoff. Thurs: Bernd Blenert's production of *Nutcracker*. Sun: Ralf Welkert conducts revival of Bob Wilson's production of *Lohengrin*, with Gösta Winbergh, Lucia Popp and Anja Silja (Opernhaus 262 0909).

## Opera/David Murray

### Benvenuto Cellini

Never more than a semi-success during Berlioz's lifetime, on Sunday in the Queen Elizabeth Hall his 1838 opera *semi-seria* proved to be a marvellous tonic - as Chelsea Opera Group concert-performances regularly are. The Group's knack for choosing exactly the operas that will reward current revival, and bestowing historical care and dramatic flair upon them in equal measure, makes their concert and indispensable fixtures in the London season.

Their *Cellini* was rewarding even beyond their excellent norm. It says a lot for a performance three-and-a-quarter-hours long in concert dress without any pretence at staging, that it not only held the delighted attention of a full house but actually went from strength to strength. The COG has given the opera before, but only in the compromised "final" version that Berlioz accepted for Liszt's Weimar performances in the 1860s. This time they borrowed the fine Royal Opera recension, which restores most of the original Paris score but sensibly trims the spoken dialogue and the later recitatives.

From the Overture forward the conductor Adrian Brown's just tempi and energetic confidence were reliable, whilst his four-square rhythms and his disregard for the characteristic bated-breath *pianissimo* were a touch disappointing. Something of Berlioz's volatile magic was lost. Yet in the end, energy won through: unhampered by the weight of a stage production, the score centered along at a lively, natural pace, with satisfying variety and not a single *longueur*. The COG chorus was good as ever, if run slightly ragged in the quickest music.

The nine soloists, however, made a team of real distinction - boasting a level of French diction unheard-of hereabouts even ten years ago. In lesser roles, Michael Hart-Davis whined nasally but musically as the

fretful Innkeeper, and Lynton Atkinson and Martin Higgins brought alert character and cutting edge to Cellini's chief assistants. For his patron Pope Clement VII Brian Bannatyne-Scott's rich, ruminate bass served admirably.

Dour and funny, Jeremy White was no less stylish as the Papal treasurer Balducci, Cellini's unwilling father-in-law-to-be. As the son-in-law he would have preferred, Geoffrey Dolton's clever, idiomatic Fieramosca rose to heroic defiance in his Act 2 aria. As Cellini's apprentice Ascanio the young mezzo Margaret McDonald cut an irresistible figure in breeches, displayed a remarkable vocal range and made a huge, unabashed success of her Act 2 party-piece - Offenbach before his time.

Not long ago, Teresa Cahill sang a lovely Daphne for the COG in Strauss's opera. As Balducci's daughter Teresa here she made an unlikely 17-year-old, with a mature soprano's sumptuously spreading tone where her *innamorato* sported a youthful, tightly focused tenor; but her ripe musical thrust carried all before it, full of generous, subtle feeling in a role that makes relentless vocal demands. A couple of dodgy top-notes made no difference at all.

Meanwhile her Cellini, Justin Lavender, fulfilled his promise of recent years with springing *élan*. He has made a speciality of those 19th-century French roles which prescribe a cruelly high tessitura for modern tenors, from whom a lusty, full-throated attack is now expected where their period predecessors probably got away with more head-voice. In earlier Lavender performances the strain has occasionally showed, even while he shaped a vigorously elegant line. This time, as the challenges rose he not only met them with ringing assurance, but left himself room still for wry asides in rollicking character. Berlioz would surely have been delighted.

## Jazz/Garry Booth

### Freddie Hubbard

Jazz trumpet players can be a surly lot, full of brooding bravado, often unpredictable on the stand and sometimes leading colourful lives off it. Think of Miles Davis, back to the audience, hunched over his horn for a few precious notes before abruptly leaving; Lee Morgan, the great attacking trumpet of hard bop shot dead onstage by a jealous lover. Last time I saw mainstream Ruby Braff he was inciting a usually mild-mannered Brecon crowd to riot by the simple device of continuously telling them to shut up. So it is with American Freddie Hubbard, currently and grumpily touring his talented acoustic quintet across Europe. Last week, in the New Morning, a groovy but friendly club by the Boulevard St Michel, I sat through one and a half hours of slow hand claps until the gangsterish Hubbard sauntered through the front door rubbing his belly. In Paris, the wait was hardly worth the four hard bop standards Hubbard dispatched before complaining of a bust lip; in retrospect, the time might better have been spent listening to the quartet of promising young tenorist Javon Jackson, pianist Ron Matthews, and a cracking rhythm section of Louis Hayes on drums and young bassist Jeff Chambers.

But it was easier to forgive him the (over 90 minutes) wait in London - at least we had two sets. And

once he had grown accustomed to the reverberating acoustics of the Union Chapel, Hubbard did at last stretch out on the fluegelhorn. Grappling with the echo chamber effect and faulty equipment in Islington Hubbard flew through "Straight No Chaser" brassy and bright, following up with a spunky rhumba, "Bolivia", the leader pacing nervously, trailing occasionally. A tough and boppy "One of A Kind" provided Hayes with his third driving solo of the evening and Jackson an opportunity to construct a measured and gentle passage without his leader's interruption - he had disappeared backstage.

By the second set, Hubbard gave up his unequal struggle with equipment and imprecise acoustics and standing away from his microphone turned in a flaring ballad, "God Bless The Child", the burnished tone of the fluegelhorn pitched beautifully into the high ceiling. Absorbed in his playing at last, the full warm sound centred in a good tune, Hubbard showed how he maintains a place at the top of the trumpet league. By finishing the set on "Ease It", however, which featured Chambers' bass while Hubbard again left for backstage, he demonstrated his weakness as a leader and how precarious that ranking is. Worth the wait, but only just.

## ARTS GUIDE

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In their heart of hearts, the leaders of the Group of Seven industrial countries must be wishing that next month's Tokyo economic summit was not taking place.

The US, Japan, Germany, France, Britain, Italy and Canada - as well as Russia and the European Commission, which have supporting roles at the meeting - will be sending politicians of much diminished stature to Tokyo's Akasaka Palace between July 7 and 9.

The euphoria that accompanied the fall of the Berlin Wall and the end of communism - which infused the three previous G7 summits in Houston, London and Munich - has long gone. Instead of providing a rich harvest of support, the triumph of democracy and the market economy after more than 40 years of cold war has left the seven government heads deeply unpopular.

The reasons are not difficult to discern. The industrialised economies are either in recession or, at best, fitful recoveries that will do little to foster the "feel-good factor" among disgruntled voters.

Unemployment, according to the Organisation for Economic Co-operation and Development, is heading upwards towards 30m in its 24 industrialised member states and is likely to keep rising in most countries over the next 18 months.

The geo-political outlook, if anything, worse. The brutal civil war in Bosnia has all but buried hopes of a "new world order" to follow the collapse of Soviet power. The latest crisis in Somalia casts serious doubts on the ability of the United Nations to grow into the role of a supranational referee bringing order to regional conflict.

Problems at home have made G7 governments and electorates increasingly inward-looking. In today's parochial times, G7 leaders could lose as much as gain from being seen with their counterparts at yet another international meeting.

Governments like to think that G7 summits can increase consumer and business confidence. But it is difficult to believe that three days of strutting, eating and talking in Japan's mint-Versailles will quell the west's increasingly cynical television viewers into believing that happy days are here again.

However, it is possible to take a more optimistic view of the summit - both for the world and for the host nation, Japan.

The hope, propagated by the US and encouraged by the month's OECD annual ministe-

## Japan's best face forward

The hosts of the G7 summit in Tokyo could emerge as the winners, writes Peter Norman



Miyazawa has begun ritual of downgrading expectations

rial meeting in Paris, is that Tokyo will mark a vital step towards final agreement on the much-delayed Uruguay Round of trade liberalisation talks.

Trade ministers from the US, Japan, Canada and the European Community are negotiating an extensive tariff-cutting agreement for industrial products and services to form part of a final Uruguay Round settlement. If their next round of talks in Tokyo on June 23 and 24 produces an agreement that can be finalised and endorsed by the G7 leaders, the summit may give a decisive boost to the seven-year-old Round and so have helped solve the trade talks impasse.

But the so-called market access agreement is only one of many problems to be solved if the trade round is to be completed by the new deadline of mid-December. The US and Japan are at loggerheads over US demands that Japan accept numerical targets to reduce its huge trade surplus. A fight is also brewing between Japan and the EC over limits to the sales of Japanese cars in the community. Big difficulties have to be overcome within the EC and among the G7 before agreement is reached on agriculture and other open

issues in the trade round. Mr Koichiro Matsuura, the Japanese government "sherpa" responsible for preparing the economic side of the summit for Mr Kiichi Miyazawa, the Japanese prime minister, last week put a slight damper on hopes that the Uruguay Round might be settled this year. "I cannot be totally optimistic," he told visiting journalists in Tokyo.

Other big problems offer little chance of a summit "success". Although Mr Miyazawa has said that helping the former Soviet Union become a democracy with a market economy "is going to be the most important issue", it is difficult to see the G7 doing much more. A strategy for helping Russia was agreed in April. It is now up to President Boris Yeltsin, who will join the talks on the final day, to implement agreed plans so that Russia can qualify for promised western financial assistance.

Despite US pressure, there is little chance of action by Japan or Germany to boost the world economy. Japan insists that it has done enough to boost demand through two fiscal stimulus packages in the past 10 months. Fears for the D-Mark's stability are limiting

the Bundesbank's appetite for decisive interest rate cuts in spite of recession in Germany.

While there will be much serious talk about regional conflicts, the non-proliferation of nuclear and other weapons of mass destruction, and a greater role for the United Nations, it is unclear whether initiatives will emerge in these areas.

Little wonder, therefore, that the Japanese government has begun the time-honoured pre-summit ritual of downgrading expectations. "Don't expect much out of a three-day meeting," warns Mr Matsuura. Mr Kunihiko Saito, the deputy foreign minister preparing the non-economic side of the summit, says he does not "think we can expect any tangible specific results".

But that, for Japan, might be the best of all possible outcomes. This summit - the third in Tokyo since the late 1970s - could break the rule by which Japan, as host, emerges as the loser.

In the past, Japan's G7 partners have been able to capitalise on the reluctance of governments in Tokyo to have international rows occurring on home territory. This year, the hosts seem in a feistier mood.

Japan has already taken the high moral ground on trade, rejecting the US goal of setting bilateral numerical targets for deficit reduction as "managed trade". Japan also has offered widespread tariff reductions to help bring about a market access agreement.

Although Japan itself is likely to emerge only gradually from its current period of very slow growth, its economic performance this year is likely to be better than nearly all its G7 partners. It can also present itself as sole representative at the summit of east Asia, a region that is growing faster and, in Tokyo's view, is politically more stable than other parts of the world.

Tokyo is likely to step carefully in pressing claims such as Japan's desire for a permanent seat on the UN security council. But officials are unusually forthright when putting their case. "We think Japan is qualified to be a member of the security council," was Mr Saito's comment last week.

Although Japan has stressed that the summit will not be a decision-making event, it will nonetheless be an important event in the Japanese calendar. Out of the mess of the post-cold war world, Japan may emerge with its standing raised rather than lowered.

## Joe Rogaly Where Right is wrong



The New Right is no longer triumphant. Its precepts are being challenged by conservatives. Its doctrines are receding into the history of the political thought. Soon it will be regarded as the Old Wrong.

The question of the turn of the century is, what is to come next? One answer (not mine) could be a mild, unambitious conservatism.

So runs the dream of the Menshevik, or non-Thatcherite, wing of Britain's Conservative party, which bankers, whether it knows it or not, for a return to a period of quiet, traditional conservative government, unruffled by the assertive and divisive radicalism of the New Right, the failure of its political projects, or the unanticipated consequences of their success, has rudely dispelled it.

Our author has an explanation for this headlong rush into doctrinal disappointment. The ideologues behind Thatcherism and Reaganism, like the Marxists they vanquished, mist a k e a l y believed in the perfectibility of human endeavour.

Ever eager to help, I draw the attention of this centrist duo to a forthcoming book by John Gray, a conservative political philosopher and fellow of Jesus College, Oxford. Mr Gray may well find time in which to read bits of it; Mr Clarke has to digest the Maastricht treaty and one or two other documents pertaining to his new job. Mr Gray is described by his publisher as "formerly a principal theorist of the New Right", which gives added piquancy to his extended critique of the work of the "libertarian and classical liberalist John" whose nostrums continue to haunt the Tory politicians of the 1990s.

He defines the New Right as properly anti-Marxist, under-

standably critical of the failures of big government, questionably monetarist - and blind to the imperfections of market institutions, which were "understood as a sort of perpetual motion machine for economic growth". (Mr Gray, I am delighted to report, is extremely unmodest on growth.) "It was this Whiggish fantasy," he writes, "that animated the enthusiasts of the New Right; the failure of its political projects, or the unanticipated consequences of their success, has rudely dispelled it."

Among the failures, I would list 1980s macro-economic policy on both sides of the Atlantic and, in Britain, the Tory health and education reforms.

Mr Gray's view, as asserted in one of these pamphlets, is that "a humane social market economy is the only sort of free economy likely to survive... and the only sort that deserves to survive". If there is such a thing as Majorism, these recycled chapters contain it.

Traditional one-nation Tories, and continental Christian Democrats, will grasp the point, even as they trim spending on the welfare state.

The prime minister should, however, run a mile from the brand-new fourth and final chapter. It takes the argument too close to the truth of the present human condition. Entitled "an agenda for Green conservatism", it scours beyond the immediate needs of Mr Gray and Mr Clarke. The problem is not Mr Gray's adoption of a green mantle; Lady Thatcher herself did that. Anyhow, he neatly disposes of the excesses of green theories. His arguments, that private property and market mechanisms are essential tools for protecting most of the environment,

should appeal to Tories even while greenery is relatively unfashionable. He does see regulation as necessary to deal with threats to the global commons, like the upper atmosphere, and he is Malthusian about the population explosion. But some Conservatives might swallow this medicine, too, even if they have to swallow hard.

They will, however, gag on this: "Though the eradication of involuntary poverty remains a noble cause, the project of promoting maximal economic growth is, perhaps, the most vulgar ideal ever put before suffering humankind. The myth of open-ended progress is not an ennobling myth, and it should form no part of conservative philosophy." He goes on to deride the "malady of infinite aspiration", and asks rather that we "keep in good repair those institutions and practices whereby human beings come to be reconciled with their circumstances..." I love it. Here is a Tory philosopher telling us what we know to be true - that economic expansion allied to exponential population growth cannot continue forever, and that we had better start thinking about the ethical consequences of that stark arithmetic. I picked up Mr Gray's book after returning from a seminar on the moral foundations of a democratic society, organised by the Social Market Foundation, a newish think-tank. The seminar affirmed the current absence of moral underpinnings for western thought. Something has to replace Marx-based philosophies, and perhaps relevant Christianity. Mr Gray's fourth chapter suggests where to start.

\* Beyond the New Right, Routledge, £19.99

### The Ideologues behind Thatcherism and Reaganism mistakenly believed in the perfectibility of human endeavour

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Solution to left-right dichotomy

From Dr Jan Clifford Lester.

Sir, Samuel Brittan writes ("Clan hatreds divide Left from Right", June 7) that "the left-right dichotomy is a hopeless method of finding one's way around" monetary and fiscal policy. But in his *Left and Right: the Dogma Dilemma and Capitalism and the Permissive Society* he more or less solves the problem without realising it.

As he shows, there is a fairly clear tendency for the left to be for state regulation of "the economy" (and against state regulation of personal liberty) while the right are more likely to be the opposite. Where the economic aspects are currently state-ridden the right are thus consistent in seeking at least to second guess the market.

Of course, this is not a perfect description of left-right usage, and it does conflict with some self-descriptions. But it clarifies debate enormously to make this fairly realistic distinction stipulative. We are then also able to introduce a libertarian-authoritarian north-south axis. This accommodates both Samuel Brittan (as a north-winger) and me (extreme north-winger). I leave the reader to say which politicians are really south-wingers.

Jan Clifford Lester, *The Libertarian Alliance*, 5 Beaconsfield, 64 Red Lion Street, London WC1R 4PA

### Family man

From Mr Peter McGregor.

Sir, Do you think that Sir Norman Fowler is spending enough time with his family? Peter McGregor, *Dacre Cottage*, Longworth, Oxfordshire OX13 5HH

### Social provisions must be preserved

From Ms Carole Tongue MEP.

Sir, Your article "Japan car workers top of earnings league in world motor industry" (June 10), paints a rosy picture of the Japanese car worker's condition. It ignores, though, the now off-documented stress and ill health their long working hours produce.

Without actually saying so, the article hints that Europe's social provisions (particularly good wages and moderate working hours), should be sacrificed in the name of increased competitiveness. This attitude is increasingly souring relations with Britain's European neighbours, who rightly feel social justice and economic prosperity go hand in hand and resent the attempt

of the UK government to create a competitive labour market on the basis of low wages and poor working conditions.

There should be no suggestion that Europeans should go back on their social achievements. We should be calling for our main competitors to adopt similar policies to improve the living and working conditions of their working people, particularly shorter working hours to achieve an enhanced quality of life and increased employment opportunities.

Carole Tongue, *Rapporteur for European Parliament on the European Car Industry*, 97a Ilford Lane, Ilford, Essex LI1 2RJ

### UK is obviously correct in its chosen economic course

From Dr Rosalind M Aitmann.

Sir, What a shame! Why has the UK government wasted a golden opportunity to lead Europe forward to a better future? Why do we continue to portray our exit from the exchange rate mechanism as a "humiliation"?

Even the ex-chancellor can only whinge and criticise instead of standing up, as he should have done last September, and proclaiming that the British move was the only rational economic policy to follow when Europe was marching from the hoped-for policies of disinflation over the cliff edge into depression. Britain's exit should have been portrayed as a move demonstrating strength and vision which the rest of Europe (Germany excepted) needed to follow.

There is nothing wrong with allowing currency devaluation. If it is the only means by which interest rates can fall to

a level more compatible with economic stability. The UK has not abandoned stability policy by easing on the monetary side when a tightening of fiscal policy and a global disinflationary environment have so diluted the inflationary risks. On the contrary, the UK is pursuing the only obvious course for most European economies to follow at this juncture.

The only problem has been the manner in which policies were implemented; the moves themselves are so sensible. What a shame we are not able to be proud of them. At least we can take comfort that the UK will fare better by having pursued the right policies in the wrong way rather than the wrong policies altogether. Poor Europe!

Rosalind M Aitmann, *director*, *Global Equity Strategist*, 43-44 Crutched Friars, London EC3N 2NX

### Common IT standards are needed in the UK

From Mr Gordon Ewan.

Sir, Your article about the National Audit Office report into computer systems for the Training and Enterprise Councils ("Scrapping Tecs computer system may cost £50m", June 11) once more points to the importance of nationally recognised - and implemented - standards for the information technology community.

Only when we in the UK are all working to the same set of standards will we be able to avoid the problems of "them and us" when matching client needs with the systems which are actually installed.

As the lead body for information technology standards in the UK, we have been working for the past two years with all members of the IT community to ensure that there is a clear set of practical guidelines for everyone involved in information technology.

One of the ways of ensuring this happens is through the programme of National Vocational Qualifications in information technology. This is a set of standards which all companies and organisations can use to build better skills and their staff and employees can use to build better skills and become more skilled, creative and cost-effective in its working methods, adopting the best practices woven into our set of IT standards surely makes a lot of sense and helps avoid expensive and time-consuming problems.

Gordon Ewan, *Chief Executive*, *Information Technology Industry Training Organisation*, 16 South Molton Street, London W1T 1DE

### Proper recognition still to be given to unemployment problem

From Prof Ronald Dore.

Sir, That unemployment will not yield all that much to "active macroeconomic policies" we've known for some time. Now, Edward Balls tells us ("A tide that's not for turning", June 9) that the active labour market policies Richard Layard was advocating in his *Personal View* (June 8), don't work either, except as political tokenism designed to show the problem is being taken seriously.

So what's left? "Less generous unemployment benefits"? Yes, indeed, push the welfare minimum down to America levels and you will force more people into jobs - at the poverty-level wages which now characterise so much work in America. Is that really what we want?

Surely we need to recognise that the unemployment problem is a result of the new "labour market sciences". On one hand are the decent instincts which have made a welfare floor of 40 per cent of average income pretty well universal in European societies. On the other are those changes in society and technology which have changed the job structure, more and more jobs are beyond the learning capacity of people who did not do very well in school, and fewer and fewer jobs are of the

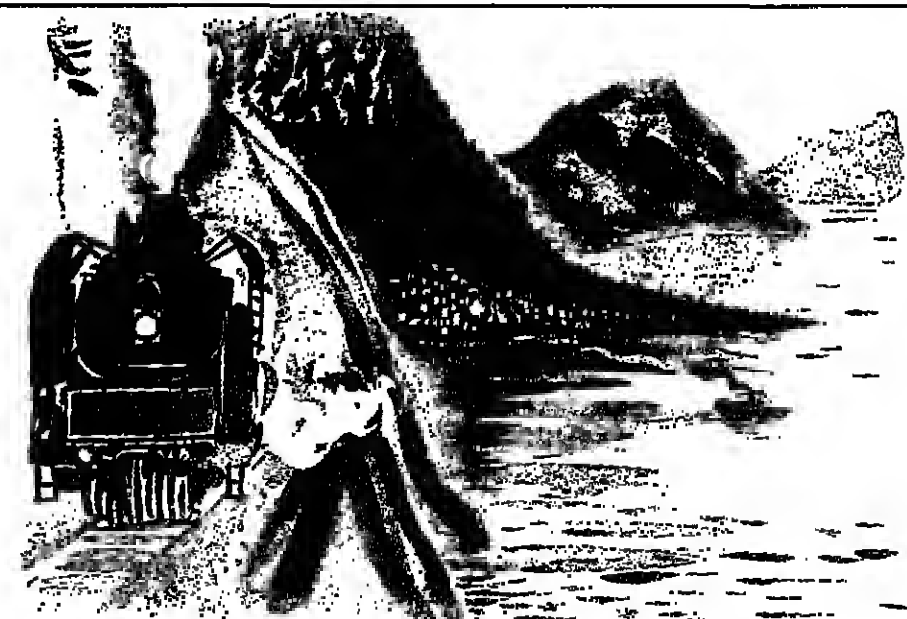
sort almost anybody can learn to do. The exception are serving and caring jobs that are only slowly becoming acceptable for able-bodied males.

And both of those factors are progressive factors. Don't we need to think again about the nature of "work" and how far doing it ought to be a precondition for citizen dignity? The notion of a basic citizen income which effectively cuts that link and makes extra-money-earning work as much a voluntary activity for the lucky as amateur athletics, has been around for a long time. Shouldn't the prospect that the unemployment problem will force us into some such solu-

tion by 2020 start concentrating our minds on how to get from here to there?

At present the only people thinking about this are the members of the Citizens Income Study Centre and we are considered slightly dotty by our academic colleagues. Isn't it time to take, if not us, at least the problem more seriously, and for those who have a different perspective on the year 2020 to come clean and tell us what it is?

Ronald Dore, *London School of Economics, Centre for Economic Performance*, Houghton Street, London WC2A 2AE



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## FINANCIAL TIMES

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Tuesday June 15 1993

## Disunited nations

**BOSNIA, CAMBODIA, Angola, now Somalia.** At no time in its 48-year history have the demands on the United Nations to resolve regional conflicts, contain civil wars and save lives been so high. Nor has there ever been greater readiness to blame the UN when peace-keeping or peace-making operations go wrong.

It is not, however, the UN that should be blamed for failure to bring peace to the Balkans, or even for the tragedy of errors now unfolding in the Horn of Africa. Its leading member states - and in particular the five permanent members of the Security Council - would do better to examine their own responsibility for what has happened in Bosnia-Herzegovina and in Somalia, and to ask what lessons can be learned to ensure that future international humanitarian and peace-making efforts do not go so badly awry.

The record is far from all bad. In Cambodia, for example, the UN has in recent weeks overseen a remarkably successful multi-party election. While that, too, appears to have run into difficulties, with the ruling party rejecting the results, the UN transitional authority has done as well as could have been expected in facilitating the process. The UN should now focus upon helping to secure a constitution and legitimate government, if necessary deploying the powerful sanction of withholding recognition. But it will in the end be for Cambodians to make democracy work.

## Uncharted waters

Somalia, like Bosnia, presents a much more uncomfortable case, taking the UN into uncharted waters. For what started as a well-intentioned if belated military intervention with the aim of feeding a starving populace has become a bloody *mélange* in which UN forces risk ending up at war with the people they are trying to help. The US, which led the "humanitarian invasion" last December, is now expending its energies in bombing the facilities of a rebel warlord, Pakistani peacekeepers in firing on and killing apparently peaceful demonstrators. The chances of restoring order or effective government are more remote than ever.

In helping to bring Somalia to this pass, the UN powers made a number of fundamental errors. First, Washington failed to think

clearly about the purpose or implications of its military role at the outset. George Bush's decision to send a large force to feed Somalia was one of the last acts of a defeated president. His administration did not co-ordinate its actions properly with the UN, its purpose was always to feed the maximum number of Somalis in the shortest possible time, then allow Mr Bush's successor to hand the country over to a broader-based peace-keeping force. American troops were not ordered to disarm Somalia's lawless militias. Washington also paid insufficient attention to the root cause of the country's problems: the collapse of any form of administrative authority. Without a serious effort at political reconciliation, encompassing a broad swathe of Somali society, intervention could never be more than a palliative.

## Urgent action

The UN's current difficulties stem directly from these blunders. Its own efforts to foster negotiations among Somalia's warring factions were hopelessly ineffectual. They attributed undue importance to the warlords and did not include a wide enough cross-section of what is left of Somali civil society. When they came to nothing, UN forces were left with no clear mission beyond continuing to fill empty stomachs, and with decreasing authority to carry it out. Confrontation with a warlord ambitious to fill the vacuum was only a matter of time.

Urgent action is now required from the UN Security Council to prevent the situation from deteriorating further. As in Bosnia, member states face a stark choice: either re-engage with the country on a new, more carefully considered basis, or pull out. In Somalia the former course means nothing short of taking the country under temporary UN trusteeship, with all the political responsibilities that entails - combining concerted diplomatic action to restart reconciliation among Somalis and a stiffened military presence with the aim of disarming the militias. It is a tall order, but it is more palatable than the international humiliation and Somali suffering which would follow withdrawal. In Bosnia, where negotiated three-way partition seems the least terrible outcome, the stakes are higher. For the UN, however, the underlying lesson is the same.

## Clipping the banks' wings

IN THIS present economic cycle much of the world economy has suffered from asset price inflation, followed by falling asset prices, stress in the banking system and worries about the capacity of banks to finance economic recovery. The price of such instability, in the shape of lost output and jobs, is all too apparent, especially in the English-speaking economies, in Scandinavia and in Japan. Hence the topicality of the question raised in the annual report of the Bank for International Settlements: can a recurrence be prevented?

The answer clearly hinges on the extent to which this was an exceptional occurrence relating to one-off changes in the financial system. And at first sight it is tempting to attribute the present problems to specific upheavals in the workings of the financial markets.

In most developed countries, banks in the 1980s were subjected to a host of deregulatory shocks, ranging from the abolition of exchange controls to the lifting of quantitative controls on bank lending. This agenda, which embodied the growing conviction on the part of policymakers that banks should behave more like profit-maximising firms than socially conscious utilities, was an exceptionally potent formula for racking up bad debts, especially against a background of sharply rising share and property values. The problems were compounded by moral hazard. Deposit insurance gave little incentive for depositors to assess the creditworthiness of banks.

## Re-regulation

It seems unlikely that such a tidal wave of regulatory change will be repeated in short order. The current trend is anyway towards re-regulation, not least in the form of the BIS's own capital adequacy rules. But there are nonetheless grounds for thinking that a repeat performance cannot ultimately be ruled out, the most important of which relates to the central banks' activities as lenders of last resort.

## Low inflation

At the macro-economic level, the remedy is a firm anti-inflation commitment. But as the BIS itself points out, this can pose difficulties for the authorities. In Japan in the late 1980s speculative excess co-existed with low inflation. It could not have been curbed without an unwelcome contraction in the real economy.

That leaves prudential supervision as a counterweight to a more competitive financial environment. But while theoretically appealing, the practice is more difficult. There is, for example, a tendency for supervisors to act pro-cyclically, instead of counter-cyclically - witness how the BIS's capital requirements were introduced just in time to encourage a credit crunch. And innovation tends to wrong-foot the watchdogs.

But if instability in banking is endemic, there remain obvious priorities when it comes to cleaning up the mess. The most pressing one now is a rapid recapitalisation of the banking systems where the capacity to extend credit has been impaired. In the UK and the US this is being achieved with the help of a steep yield curve, whereby banks can borrow at low short-term interest rates to invest in longer-term higher-yielding paper, including government IOUs. In Scandinavia it has been achieved with the help of more direct government support.

But in Japan, where the gap between short and long interest rates is narrow, the authorities have been slow to impose the requisite balance sheet restructuring. Given the size of the Japanese economy, that is a growing worry for the rest of the world as well as the Japanese themselves.

**I**Ri, Italy's biggest state holding company, looks increasingly like a beached whale - an ungainly creature that cannot be refloated. The political waters in which it has moved for four decades are evaporating. The country's politicians are distracted by scandal and, even if there was a will to keep IRI alive, its finances are so parlous it is unlikely to survive in its present form.

Group losses for last year were 14,809bn (£13.8bn), while accumulated debts are 173,000bn, equal to almost 5 per cent of Italy's gross domestic product. Privatisation of the empire, which employs 400,000 and has interests ranging from banking to banking, telecommunications to television, is seen by company strategists as the only way forward.

The impetus for change has been accelerated by the arrest last month of Mr Franco Nobili, IRI's chairman since 1990 and the manager under whom debts and losses mushroomed. His arrest, on corruption charges, provided the government with an opportunity to bring in someone who would not shy away from the basic question: does IRI need to exist in the 1990s?

The man chosen for the job is Mr Romano Prodi, the distinguished economist who chaired IRI from 1982-89 until replaced by Mr Nobili. His previous involvement in IRI may not seem the best qualification, since several problems date from that period. But Mr Prodi's supporters, including Prime Minister Carlo Azeglio Ciampi, claim he is returning to push through the rationalisation he was prevented from implementing by the politicians.

Power has been concentrated in the hands of Mr Prodi following the transfer of Mr Michele Tedeschi, former chief executive, to IRI's telecommunications subsidiary. He had been virtually running the group since last August, when it was converted into a joint stock company.

A senior IRI official said: "There is an urgent need to raise funds, and privatisation will probably be along the lines Tedeschi has already worked on."

The main fear inside IRI's impressive 1980s head office in Rome is that the financial urgency behind IRI's sell-off will mean that broader questions of industrial development could be ignored in the reorganisation. IRI managers insist the state still has a role, especially in sectors such as advanced technology. They say IRI could be made slim and dynamic by selling scores of companies and remaining as an investment vehicle with minority participation in its engineering group Finmeccanica, and Stet, the telecommunications holding company.

Yet this strategy could consign IRI to the same fate as that of Efim, Italy's third-largest state industrial

Haig Simonian and Robert Graham examine the privatisation of Italy's largest state holding company

## A behemoth goes to the block

## IRI group: no time on its side

	Sales		Net profits (losses)		Employees.
in billion	1991	1992	1991	1992	1991
Alitalia	5,867.9	6,791.8	(34.5)	(14.7)	28,968
Finmare	1,711	1,847	(50.4)	(131.8)	7,878
Finmeccanica	10,866.0	11,078	(524.9)	188.4	56,015
Finisiel	1,255.0	1,473	29.4	36.4	7,305
Iveco	10,923	10,087	(498.9)	(2,308)	50,244
Irtocna	8,947.7	9,362.1	(88.5)	(1,950)	28,151

Some 1990 figures are Treasury estimates.

IRI industrial section	Net profits (losses)	Total debt	Interest payments on debt
Life billion at current prices	1991	1992	1991
1982	(2,825)	34,018	5,993
1983	(3,198)	36,112	6,239
1984	(2,724)	38,837	6,107
1985	(1,594)	36,559	5,029
1986	(558)	34,400	3,800
1987	(304)	37,404	3,267
1988	660	38,519	3,608
1989	1,291	45,672	3,826
1990	280	53,332	4,688
1991	(939)	63,330	6,001

Source: IRI.

holding company, which became a dustbin of unwanted businesses. Efim was wound up last July with debts of more than 1.15,000bn, and the creditors' problems have yet to be resolved. IRI could be left to nurse the loss-making companies which it could not offload and which would be impossible to close for social or political reasons.

The group's biggest loss-makers are Iva, Europe's fourth-biggest steel producer, and Irtocna, its construction arm. Between them, they account for the bulk of IRI's 1992 losses. At Fincantieri (shipbuilding), Finmare (shipping) and Alitalia (the airline), losses have been stanchioned, but all remain in the red, while the finances of IRI, the television and radio umbrella organisation, are severely stretched. IRI also owns two of Italy's biggest banks. Although their profits are falling, they remain among the group's biggest earners.

With domestic interest rates still high and the economy in recession, the company is struggling to generate enough cash to meet daily needs, let alone investments. IRI's financial difficulties were exacerbated by the progressive withdrawal of funding since 1987 from the government, which was striving to contain the large budget deficit.

More recently, support from the banks has declined because of concern about IRI's financial health. Some foreign bankers, chastened by the debacle over Efim, have cut lending, fearing a repetition. To make matters worse, an Italian law prohibiting companies from issuing bonds when their debts exceed their total capital, as in IRI's case, has removed recourse to the bond market.

In the light of these constraints, piecemeal privatisation has become an imperative, and has won the backing of the new government. The former Amato government set the sell-off ball rolling last year, but there were internal disagreements over an "industrial strategy" for the state sector, with some politicians fearing the loss of patronage implied by privatisation.

The Amato government had begun whittling away such patronage. IRI's board was slimmed down to three members, while big subsidiaries, such as Finmeccanica,



Romano Prodi

gained in importance by obtaining an individual stock market listing. The Ciampi government, with a more homogeneous economic team, is less susceptible to pressure to keep IRI alive, particularly since the country's political landscape has been transformed by the corruption scandals, and the politicians who tried to stall the privatisation process are discredited.

Despite the recession, which has limited the market for big sales, and the wariness of some foreign multinationals to make Italian purchases, IRI is slowly going on the block. The first sale will be SME, IRI's food production, retailing and catering operation. Preliminary offers for two of SME's food production divisions have been received and a deal is likely within the next month. Together, the two operations should raise about 1.1,000bn. The sale will be followed by that of SME's remaining food retailing and catering activities, valued at about 1.2,000bn.

The other attractive assets up for sale are the two banks. IRI aims to sell all or part of its 67 per cent holding in Credito Italiano, the

sixth-largest Italian bank, which is quoted on the stock market. Plans to sell Banca Commerciale Italiana are less advanced. Rather than floating its Credito shares on the market, IRI has opted for a sale to another bank or a pool of institutions, in the hope of a higher price. The most recent indications are, however, that no bank will pay the 1.6,000bn estimated value. IRI has been forced to explore the possibility of splitting its stake between several financial institutions and, as a result, the deal is taking longer than expected.

**W**hile the banks deals are proceeding slowly, the financial pressures on IRI are growing more urgent. Its Iva steel arm has reported a 1.2,309bn loss for last year and expects to lose about 1.1,700bn this year. Plans to restructure it via asset sales and debt transfers to IRI have been critically received by the European Commission, which supervises Europe's steel industry, and the chances of a quick privatisation look slim. Irtocna's financial difficulties are almost as pressing. A company will be created, as with Iva, to run the most profitable activities, while loss-making subsidiaries and a large slice of debt will be transferred to IRI pending restructuring or disposal.

With the timetable for sales lengthening, IRI has turned to sophisticated money-raising techniques to pay its bills. So far, it has raised about 1.1,000bn by selling future dividends on some of its profitable operations. It has also sold tax credits on the shares of some subsidiaries. Although such practices are commonplace in Italy, they have triggered a public row. Critics charge IRI with using financial gimmicks to delay privatisation. "They're pulling out all the stops to raise short-term cash wherever they can, rather than just selling assets," said one observer.

Mr Pietro Ciucci, IRI's finance director, points to last year's disposals of controlling interests in the Cementir cement group and Banco di Roma as proof that the company is not reluctant to sell. Like several other IRI executives, he claims some of Italy's leading businessmen are waging a war of words against the group because they are waiting to pick up bargains. "Each time we devise an operation to help IRI survive, they get angry," he says.

Mr Ciucci and his colleagues stress the company is committed to disposals, but not at the price of undervaluing its assets. The argument assumes IRI has the luxury to choose the best moment for its sales. With the clock ticking fast and losses mounting, time is not on its side.

## Where Mexico should draw the line



PERSONAL VIEW

At US insistence, negotiations are now under way between Canada, Mexico, and the US for side arrangements to the North American Free Trade Agreement on environmental and labour issues, and to give extra protection to some industries in the name of dealing with what are being called import surges. President Clinton needs those parallel agreements to convince the Democratic majority in Congress to support NAFTA and to cater to some special interests, such as the sugar lobby. The issue is no longer whether there will be side agreements, but just how far the US will pressure its NAFTA partners - Mexico in particular - to give way to satisfy domestic US pressure.

Until now, Mexico has catered to almost every US demand. Mexico is even going the extra mile. It has so far put more new money into clearing up the environment at the US border than has the US. If there are import surges that must be dealt

with these days they are from the US into Mexico, but the Mexican authorities have accepted these without raising new barriers. Despite his misgivings about the wisdom of a special border tax on trade among the NAFTA countries to raise money to finance environmental projects, Mexico's President Salinas may give way on this as well.

President Salinas is giving the impression that he is prepared to do almost anything to get NAFTA through. He believes he should do what is right in Mexico's interest and he should show more spine when asked to agree to unwieldy US demands or to cater to groups in the US, or people such as Ross Perot, who will not support NAFTA regardless of what Salinas does.

The Mexicans fear that if NAFTA fails, investment into the country will dry up. However, Mexico's best option is to proceed as if there were a NAFTA. It should continue to open its economy by reducing import barriers. The welcome mat to foreign investment should not be withdrawn; if anything, it should be extended beyond what was agreed in NAFTA. The law protecting intellectual property should not be

cracked. Many of the 50-plus pieces of legislation required to conform to NAFTA provisions should proceed.

If Mexico further opens its economy, US businesses would still invest, based on their having an assurance of policy continuation. The opponents of NAFTA could do nothing to stop this. By reducing its import duties further, Mexico would

**President Salinas is giving the impression that he is prepared to do almost anything to get NAFTA through**

permit producers there to continue their competitive drive. The average US duty on imports from Mexico is now about 3 per cent. The competitive position in the US market would not be much worse for most products even if US tariffs did not decline to zero over 10 years, and could even be stronger if the exchange rate of the peso were adjusted for this. This would be a

likely consequence of the market's reaction to the absence of an agreement in any event. An adjustment of this kind would not necessarily be a deterrent to foreign investment in Mexico, particularly for equity investment, if properly enhanced by a consistent macroeconomic package designed to control inflation.

The US would be just as exposed to competition from Mexico as it would be under NAFTA. The only way to prevent this would be to raise US import barriers against Mexico. US protectionists would almost certainly try, and the Clinton administration would then face a real test as to its trade *bona fides*. Those who insist that Mexican labour conditions are substandard in comparison with the US would have no side agreement under which they could leverage their demands. They would have to rely on Mexico's own perception of its national interest in this area.

This is not an optimal outcome. Formalising the economic integration that is occurring in any event has many advantages. It helps establish dozens of consultative arrangements on specific issues

such as customs administration, sanitary standards, and technical requirements for products, and on broader issues, including macroeconomic policies. NAFTA gives some assurance against backtracking on market opening by member countries. It provides a structure for settlement of disputes on investment, financial and commercial matters, and the use of countervailing and anti-dumping duties. Without NAFTA the remarkable political rapprochement that has been taking place in recent years between Mexico and the US might be reversed. But US failure to approve NAFTA need not be an economic disaster for Mexico.

**Sidney Weintraub and Rogelio Ramirez de la O**

The authors are, respectively, director of the US-Mexico Policy Studies Program at the Lyndon B Johnson School of Public Affairs, the University of Texas at Austin, and president of Ecanal, an economic consulting firm in Mexico City.

## OBSERVER



'We're peace lords'

of its latest craft on a record-breaking run.

A four-engine A340 set off from Le Bourget yesterday on a one-stop round the world tour. Flying east, its first and only port of call will be New Zealand, which should be reached in just under a day. If all goes well it should be back at Le Bourget on Friday. Airbus has had to cut the number of passengers from 273 to just 30 but it did not have to sink to towing its showpiece to the end of the runway to save fuel, as Boeing did when they attempted a similar feat with its non-stop 747-400 flight from London to Sydney.

Airbus hopes its marketing ploy will interest high-rolling customers

## Horses for courses

■ If there are any gamblers left among the Suba-watching fraternity, the guessing game as to who comes in number two to Hans Eitelberger, due to take over as president of the German central bank this autumn, is still wide open.

For the previous favourite, Reinmut Jochimsen, appears to have fuffed it through his open antagonism to the Maastricht process, and the punters are studying the form on a series of fresh names.

From the back of the field, but already counted one of the surer bets, comes a new boy to the council, 60-year-old Horst Schulmann who arrived from Washington only last October as president of the central bank of Hesse.

It was Schulmann who, as Helmut Schmidt's "sherpa", worked hard on convincing a sceptical Bundesbank to accept the EMS in the first place. He has experience at the EC Commission on his side, and the politics also fit. Chancellor Helmut Kohl's government, which will make the selection, is likely to go for an SPD candidate if only because it needs the opposition's co-operation if it is to cut into welfare spending.

Meanwhile, Johann Gaddum, chief architect of the bank's recent

"dribbling" approach to interest rate reductions, would probably be the most deserving winner. But he is both the wrong political colour, and, with only just over a year to go to retirement, a little old.

The intriguing outsider is Edgar Meister, finance minister of the Rhineland Palatinate, Kohl's political training ground. He has the invaluable merit of being on good terms with the beleaguered Theo Waigel, the Bonn finance minister charged with slashing spending, and a man in need of all the friends he can find, especially in the Bundesbank.

## First class net

■ There have long been rumours that the wrong sort of people hold too much sway in Brussels' corridors of power. However, Observer was taken back to learn that future interns at the Council of Ministers are now being asked to produce not only certificates of perfect health and a fine education, but an extract from their police record. How many juvenile heists on the Common Agricultural Policy does it take to qualify?

## One-stop bid

■ Good to see a spot of aviation romance surfacing amid the industrial gloom at the Paris Air Show. The European Airbus consortium has dispatched one

with global ambitions. The Sultan of Brunei, for instance, has already bought a second-hand Lufthansa A340 for his personal use. The French secret services, which have been known to venture that far afield, might also be interested by the A340's first non-stop flight to Auckland, if they ever needed a craft for another quick get away.

## Prize draw

■ Who's going to win the next Booker prize? No, not the literary prize for fiction, but the number two slot at the Booker food giant when chief executive Jonathan Taylor, 57, steps into the chairman's suite later this week.

Presumably, Taylor is not going to upset the City by combining the role of chairman and chief executive, especially given Booker's lacklustre performance in recent years and Taylor's keenness to spend more time on good works, such as raising money for Oxford's Bodleian Library. Barry Skipper, chief executive of food distribution, and finance director David Turner, are the obvious internal candidates. But they have been around for years and Booker could do with a bit of fresh blood at the top. Let's hope that Taylor doesn't fluff his first big decision in the chair.

## Tied down

■ Health secretary Virginia Bottomley has an easy way of spotting when husband Peter, one

of the looser cannons on the Tory back benches, is going to cause trouble. He comes down to breakfast sporting his splendid Transport and General Workers' Union tie.

Yesterday was no exception. Suitably attired, Comrade Bottomley attended the launch of a TUC-led campaign against a particularly blatant union-bashing amendment which has suddenly surfaced in the employment bill, due to be debated in the Commons today.

With much reference to Tolpuddle Martyrs, Bottomley easily outshone John Monks, TUC deputy general secretary, in the depth of emotion he showed in favour of trade union rights and contempt for anyone who dared tamper with them. Stanley Baldwin might have sympathised, but it can hardly have gone down well with the current generation of Tory bosses.

## By the book

■ What do you call a Gurkha training manual? A Kulkri book.



## German opposition play safe in choosing leader

By Quentin Peel in Bonn

MR. RUDOLF SCHARPING, premier of the west German state of Rhineland-Palatinate, was yesterday unanimously proposed as the next national chairman of the opposition Social Democrats.

His nomination by the party's national executive committee is intended to mark the end of a divisive leadership struggle which has left the SPD drifting in the opinion polls since the surprise resignation last month of Mr. Björn Engholm, the former party leader.

It follows Mr. Scharping's clear victory in an unprecedented weekend poll of rank-and-file members, which gave him more than 40 per cent support, against 33 per cent for his nearest rival, Mr. Gerhard Schröder, the Lower Saxony premier.

His selection means that the leaders of all three main political parties are now in place for the elections next year, although Mr. Scharping refused to say whether he would run as SPD candidate for chancellor. It also means that

all three, the governing Christian Democratic Union, the minority Free Democratic party, and the SPD, have opted for safe, centrist but essentially uninspiring leaders.

Chancellor Helmut Kohl has no challengers within his CDU, although he is widely accused of failing to give clear leadership, and his popularity is languishing in the polls.

On Friday, the FDP voted overwhelmingly for Mr. Klaus Kinkel, foreign minister, as its leader. A civil servant for almost his entire career, and only a party member for the past two years, he is solid, plain-speaking but no ball of fire.

Now the SPD has opted, both at grass-roots level and as party leader, for an equally uncharismatic figure: Mr. Scharping is young (aged 45), hard-working, clearly competent, but rather wooden in his presentation. Yet his confirmation as national chairman at a party conference on June 25 now appears a foregone conclusion.

With typical caution, he

refused to be drawn on the question of whether he wants to be the party's candidate to oppose Mr. Kohl at next year's national elections, although previously he has said that the party chairman should be the candidate for chancellor, too.

He is the obvious choice, but the current deputy leader, Mr. Oskar Lafontaine, who failed to defeat Mr. Kohl in 1990, has said he wants to run again.

Mr. Scharping, a career politician since his student days, would only say that the party had to decide before election day. He hoped it would decide a bit sooner, he admitted.

His lack of political profile is an obvious disadvantage in the coming battle with Mr. Kohl, himself a former premier of Rhineland-Palatinate.

In spite of his unpopularity (37 per cent of voters think he is doing a good job, against 50 per cent who have a negative view), the current chancellor towers over all other figures in his own party, and among his rivals.

## Bosnian 'safe area' appeals for help

By Laura Silber in Belgrade

RADIO MESSAGES from the besieged eastern Bosnian town of Gorazde yesterday appealed for outside intervention to save the United Nations-proclaimed "safe area" as Serb forces pressed ahead with their three-week offensive.

Bosnian Serb commanders said their troops were just 150 metres from Muslim positions in Gorazde, the last government stronghold in the once mostly Moslem east of the country.

In an ominous note which was likely to signal an intensification of Serb attacks, a Bosnian Serb officer accused Moslem fighters of "slaughtering hundreds of Serbs" in villages surrounding Gorazde, according to the Belgrade news agency, Tanjug. Serb commanders previously have used the claim that Serb civilians are "endangered" to justify an attack.

In another move to consolidate their self-proclaimed state of Republika Srpska, Serb forces set up checkpoints on the UN-controlled road from Sarajevo airport to the besieged capital.

The Serb barricades violate a year-long UN agreement for an international airlift to Sarajevo airport and the unimpeded transport of food and medical supplies on the airport road, a vital lifeline for the 380,000 people trapped in Sarajevo.

General Ratko Mladic, the Bosnian Serb commander, agreed at the weekend to the deployment of UN military observers in Gorazde.

His go-ahead suggested that the Serb strategy in Gorazde may be similar to their operations earlier this year around Srebrenica, the first UN-designated safe area. In Srebrenica the intensity of Serb attacks, combined with a year-long siege, forced the Bosnian authorities to agree to a demilitarisation of the area. The area has been described by relief workers as an unsafe and wretched refugee camp.

"The Serbs may be seeking to create yet another unviable refugee camp out of Gorazde," a western diplomat based in Belgrade said yesterday. Serb forces control traffic leading to the six UN-declared safe areas, reducing the possibility of any long-term future for Moslem-led Bosnian enclaves in Serb-held eastern Bosnia.

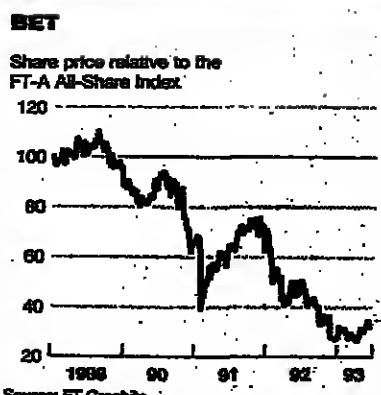
Reports from amateur radio operators yesterday called Gorazde a "real hell under constant attacks from Serbian multiple rocket launchers and grenades".

"Everything is burning and the villages are being destroyed," said the reports, which could not be independently confirmed because amateur radio operators are the besieged town's only link with the outside world.

Bosnian radio said more than 50 people were killed on Sunday in a Serb rocket attack on a hospital in the town.

## Understanding Mr Clarke

FT-SE Index: 2885.5 (+23.7)



The rise of nearly 30 points in the FT-SE 100 index at one stage yesterday suggests markets may be expecting too much of tonight's Mansion House speech. Though the gain was basically driven by the futures market, it was attributed to expectations that the new chancellor would kick off with a cut in interest rates. That would be hard to justify.

The latest producer price figures show inflation remains subdued but it is not exactly falling either. More significantly, Mr. Clarke is hemmed in politically, both by his predecessor's criticism of the way the last rate cut decision was taken and by the opposition of the Bank of England.

Indeed, he may not be ready to launch any particular policy initiatives after such a short period in office. But the policy debate has assumed a new intensity since Mr. Lamont's departure. Two strands are worth noting: first the notion has surfaced that accelerating growth may be enough to sort out the PSBR, and second there is a view in some quarters that a strong exchange rate is a good way of curbing inflation. Such an approach to the PSBR may be the easy political way out, but it would quickly reveal itself as flawed. If a strong exchange rate were also part of the picture, talk might then turn to how far interest rates would have to rise rather than when they would come down.

### BET

BET's dividend is shrinking in line with its business. Sales are below the level of five years ago, with talk of more disposals to come. Operating profits last year were less than half those reported for 1991-92. Since it now transpires that asset valuations - and therefore depreciation charges - have in the past been surprisingly inconsistent across the group, previous profits are not entirely comparable. But the balance sheet has equally dictated the dividend cut. Capital and reserves have halved in the last three years.

While the new management deserves credit for averting a debt crisis, the reduced size of BET's balance sheet limits its options for growth. There is little scope for additional borrowing if gearing is to be held down. An acquisition which required good-will write-offs would take another bite out of shareholders' funds. A rights issue to finance an acquisition would solve both problems, but BET cannot justify another appeal to shareholders.

regulatory reviews will squeeze returns. Supply generates little profit, so Offer's current review should not dent share prices. The subsequent distribution review is more important. Attempts to massage profits down by retaining costs are unlikely to last. Offer, so East Midlands' decision to cut now looks sensible. Still, even if the average regional electricity company's price cap is tightened, say from RPI-1.5 to RPI-6, the RECs generally could still probably manage annual dividend increases of 8 per cent (at between 1995 and 2000). Much of that, however, would be at the expense of dividend cover. Fund managers may be nervous about shrinking mainstream earnings when quality diversification profits have proved so hard to come by.

### Currencies

It was always a safe bet that the yen would appreciate in 1993. The size of Japan's current account surplus and the intensity of US displeasure mean the currency could hardly respond in any other way. The more difficult assessment is to decide when enough is enough. The yen has risen by more than 15 per cent since the start of the year, a move whose deflationary impact more or less wipes out the effect of the last two stimulatory fiscal packages. As the stock market becomes edgy over growth prospects, pressure is bound to mount for another rate cut and more fiscal pump-priming, which might be seen as a fitting gesture from the hosts at next month's economic summit.

That, though, may overstate the extent of the authorities' alarm. Japanese exporters know how to cope with a sharply rising exchange rate. The Bank of Japan has been intervening actively, but it has hardly been in a hurry to cut rates. There is no guarantee either that lower rates or another stimulatory package would boost consumption enough to make a big dent in the current account surplus.

More important to the exchange market may be the course of trade negotiations with the US, in which Japan is fighting a rearguard action to escape the imposition of quantitative targets for imports. Were Japan's resolve to falter, the yen could fall back again; a trade agreement with the US would give Washington less reason for talking the currency up. A rate cut, by contrast, could be seen as confirmation of the currency's inherent strength.

The basic electricity business is a gift which the most inept management would find difficult to destroy. But

### East Midlands Electricity

Deciding to borrow £150m at an interest rate of 12 per cent near the top of the interest rate cycle looks pretty rum, even without the benefit of hindsight. Doubtly so when the Eurobond in question now accounts for more than East Midlands' total net debt and the company is locked into the deal for 25 years. Sadly, the financing decision is typical of East Midlands' accident-prone progress outside its mainstream electricity business - most notably in the poorly performing contracting and retailing operations. It must be some relief to shareholders that prospects in coal mining are now so poor that East Midlands has all but abandoned its ambitions there.

The basic electricity business is a gift which the most inept management would find difficult to destroy. But

## SEC-style body for Germany 'may not be ready until 1996'

By David Waller in Frankfurt

THE long-awaited federal regulatory body for the German securities industry is unlikely to be fully in operation before 1995 or even 1996, the government minister responsible for policing Germany's largest stock market warned yesterday.

Mr. Ernst Welteke, economics minister for the state of Hesse, said in Frankfurt yesterday that he expected the legislation to create the German equivalent of the US Securities and Exchange Commission, and to make insider dealing illegal, would be on the statute book in the first quarter of next year.

But, he cautioned, it could take up to two years after that for the new body to recruit its full complement of up to 100 staff and be in a position to undertake its tasks, including the monitoring of insider dealing.

Mr. Welteke's observations

highlight the slow pace of change in the regulatory environment in Germany - a slowness which is all the more marked because of German financiers' growing recognition that it is in the interests of Finanzplatz Deutschland, the promotion of Germany as a financial centre, to bring regulations up to international standards as quickly as possible.

This feeling has intensified in recent weeks following the downfall of Mr. Franz Steinke, the former head of IG Metall, the powerful engineering union. He was forced to resign after it emerged that he had dealt in the shares of a Daimler-Benz holding company ahead of a price-sensitive announcement while serving as a member of the Daimler-Benz supervisory board.

Mr. Steinke's dealings in the shares of Mercedes Holding are being investigated by the insider dealing unit of the Frankfurt Stock Exchange. He has

denied insider dealing but his case has drawn attention to the lack of insider laws in Germany.

"The current sanctions against insider dealing are minimal," Mr. Welteke said. "They are not at all enough. At the moment it is just a matter of commonsense that you don't do it - or at least you don't let yourself get caught."

Mr. Welteke, whose ministry is responsible for overseeing the Frankfurt exchange, which conducts 70 per cent of securities business in Germany, called yesterday's briefing to explain measures which the state of Hesse has taken to strengthen its regulatory activities ahead of the introduction of the new laws.

The German government had intended to criminalise insider dealing and to create the German SEC by the end of 1992. But disputes between federal and state governments have led to serious delays in the implementation of reforms.

## Europe told to realign

Continued from Page 1

likely this year to avoid an increase in the ratio of overall government debt to gross domestic product.

Mr. Benet Dennis, chairman of the BIS and president of the Swedish central bank, said ERM turbulence last year had "contributed to the erosion of business and consumer confidence" in Europe. He called "especially worrisome" the deepening of recession in Germany.

## Somalis turn against UN

Continued from Page 1

like Bill Clinton." Pieces of shrapnel from last night's air attack were being given to journalists as proof of further senseless destruction of the city.

The rally was shaken by a loud explosion. UN helicopter pilots had fired a shell at a rocket launcher hidden in a garden. They missed their target, instead hitting a ramshackle tea stall where a young mother eked out a meagre existence. She was still alive when the

crowd bundled her into a cart to take her to Benazir hospital, but conditions there are primitive.

The UN came under international criticism for the weekend shooting of unarmed demonstrators which, according to the International Committee of the Red Cross, left 35 dead.

Mr. Fabio Fabbrini, Italian defence minister, said in Mozambique that such episodes discredited the image of the UN and could, in the long run, jeopardise peace efforts in other trouble spots of the world.

### Europe today

In central and southern Spain, it will be sunny and temperatures will rise to 27C-30C, but it will become cloudy in the north. In Italy, the Balkans and Greece, similar temperatures will be reached, but it will be unsettled and showers will develop with the possibility of thunder. In the UK and Ireland, rain will move in from the west. In France, some rain may fall early in the day, but in the afternoon it will be dry. In the Low Countries, Germany, Poland and the Alps, it will be cool and cloudy, but dry. In northern and central Scandinavia, it will be cloudy with patchy rain and afternoon readings of 10C-13C. In the south, in contrast, it will be fair with temperatures rising to 18C.

### Five-day forecast

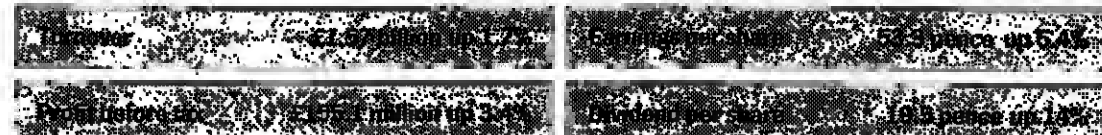
Depressions moving in from the Atlantic will determine conditions in northern and central Europe. In Ireland, the UK and Scandinavia, there will be rain almost every day. Elsewhere, there will be dry days with some sunny spells. It will stay cool. In the Balkans showers will develop but elsewhere in southern Europe it will be mainly sunny and dry. In Spain temperatures will rise above 35C inland.

TODAY'S TEMPERATURES		
Madrid	sun	25
Berlin	cloudy	17
Calcutta	sun	37
Bombay	sun	30
Algiers	sun	29
Amsterdam	fair	17
Brussels	sun	28
Budapest	sun	33
Sarajevo	sun	25
Beijing	sun	31
Belfast	rain	18
Belgrade	showers	25
Cairo	sun	37
Cebu	sun	30
Colombo	sun	30
Copenhagen	sun	17
Dakar	sun	30
Dallas	sun	32
Darwin	sun	31
Delft	sun	18
Dubai	sun	37
Dublin	sun	18
Durban	sun	26
Edinburgh	cloudy	16
Fero	sun	24
Frankfurt	cloudy	18
Geneva	showers	16
Glasgow	rain	16
Hamburg	cloudy	15
Helsinki	sun	18
Hong Kong	thund	30
Honolulu	sun	31
Istiqlal	sun	37
Jersey	rain	15
Karachi	sun	34
Kuwait	sun	44
La Paz	sun	15
Las Palmas	sun	25
Lisbon	sun	34
London	sun	16
Los Angeles	sun	27
Luxembourg	sun	18
Lyon	cloudy	20
Madrid	cloudy	25
Manila	sun	33
Maracaibo	sun	30
Maribor	sun	17
Melbourne	sun	14
Mexico City	sun	31
Miami	sun	31
Milan	sun	24
Montreal	thund	18
Moscow	showers	18
Murumbi	cloudy	18
Nairobi	thund	22
Naples	sun	26
Nassau	showers	31
New York	showers	27
Nice	sun	24
Nicosia	showers	37
Osaka	sun	18
Paris	sun	17
Perth	sun	18
Prague	sun	17
Rangoon	sun	28
Rajkot	sun	30
Riyadh	sun	42
Rome	cloudy	25
S' Francisco	sun	22
Singapore	thund	31
Stockholm	cloudy	13
Surabaya	cloudy	18
Sydney	sun	16
Taipei	sun	33
Tokyo	showers	20
Toronto	sun	26
Tunis	sun	26
Vancouver	sun	18
Varadero	sun	24
Vienna	cloudy	22
Warsaw	cloudy	17
Washington	sun	28
Wellington	showers	13
Winnipeg	sun	18
Zurich	showers	18



## East Midlands Electricity plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 1993



## Positive action prepares ground for further progress.

- Operating profit increased by 2.9% to £162.1 million
- Operating profit, before exceptional items, increased by 11.8%
- Strong performance from the electricity business
- Growth in units distributed
- Core electricity business being restructured
- Gearing reduced to 22.2%

"The company has had a successful year. The core businesses of electricity distribution and supply have performed particularly well. The positive action that has been taken by the board has prepared the ground for further progress particularly through efficiency gains in the years ahead."

*John Harris*  
Chairman and chief executive  
14th June, 1993

**East Midlands Electricity**

The Annual Review will be posted to all shareholders in early July. Copies are available by writing to the Company Secretariat Department, East Midlands Electricity plc, 398 Coppice Road, Arnold, Nottingham NG5 7HX.



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# FINANCIAL TIMES COMPANIES & MARKETS

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## INSIDE SEC lifts restrictions on Zeneca trading

Underwriters of Zeneca's £1.3bn (\$2bn) rights issue can trade normally in the shares over the next few days after the US Securities and Exchange Commission changed its decision on restrictions. It lifted a limitation which had raised fears that the underwriters would not be able to support the share price. However, the SEC has said that the US marketing syndicate had to stop operations as of last night. Page 28

## BT issue subscribers reach 4m

More than 1.8m people have registered for the sale of the UK government's remaining 21.9 per cent stake in BT, taking the total of subscribers to more than 4m. SG Warburg, the government's global co-ordinator, said the incentives, at 10p, were less generous to reflect the fall in interest rates since the last sale in 1991. Page 22

## Heywood Williams buys in US

Heywood Williams, the UK building materials group, plans to acquire a specialist building products group in the US. The acquisition for \$53.25m in cash of LaSalle is "an exciting development for the group", according to Mr Ralph Hitchcliffe, chairman. Page 27

## Rumblings on Wall Street

Equities trading in the US is under review by Market 2000, a Securities and Exchange Commission study into the regulation of the country's stock markets. The last time the SEC undertook a comparable study was 20 years ago and led to the revolution of 1975, which forever changed the way business was conducted on Wall Street. Page 22

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## Daiei widens its lead

Daiei, Japan's largest supermarket chain, is to absorb three retail outlets next March, just as Japan's retailers are being hit by a plunge in consumer demand and increased competition from discount chains and convenience shops. The chain will push annual sales up to ¥2,500bn (\$24.8bn) and widen its lead over Ito-Yokado, Japan's second largest retailer. Page 23

## Apple announces price cuts

Apple Computer yesterday announced US price cuts and customer rebates in a move that could spark a price war in the personal computer industry. Over the past 18 months, prices of PCs in the US have declined by nearly 60 per cent. Page 21

## Recipe for growth

Baxters of Speyside, family-owned maker of high quality soups and preserves, has doubled sales in the last five years, under the direction of Ms Audrey Baxter, now managing director. Its premium foods command shelf space in the ruthlessly competitive UK store and supermarket sector because they bring profits to the retailer. Page 28

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Chief price changes yesterday			
FRANKFURT (DM)		PARIS (FF)	
Alpine	482.5 + 10.5	Alpine	488.8 + 12.8
Baxters	527.5 + 10	Baxters	527.5 + 10
BK Vision	501.5 + 10.8	BK Vision	501.5 + 10.8
Baxters	516 + 9	Baxters	516 + 9
Beverly	516 + 9	Beverly	516 + 9
British Airways	527.5 + 10.5	British Airways	527.5 + 10.5
Cadogan de Depot	340 - 9	Cadogan de Depot	340 - 9
Chillingham	554 + 14	Chillingham	554 + 14
Drummond	531 + 24	Drummond	531 + 24
East Midlands Elect	528 + 14	East Midlands Elect	528 + 14
First	249 + 5	First	249 + 5
First Philippine	340 - 9	First Philippine	340 - 9
Fisons	554 + 14	Fisons	554 + 14
Fondriaria	531 + 24	Fondriaria	531 + 24
GMA	528 + 14	GMA	528 + 14
Heron	249 + 5	Heron	249 + 5
Heywood Williams	340 - 9	Heywood Williams	340 - 9
IBC Vehicles	554 + 14	IBC Vehicles	554 + 14
ICI	531 + 24	ICI	531 + 24

LONDON (Pence)					
Alpine			Instan	168	+ 7
Baxters	53	+ 8	Manor	199	+ 26
BK Vision	422.5	+ 10.8	North Western	458	+ 16
Baxters	15	+ 4	Osborne Ltd	119	+ 8
British Airways	44	+ 10	Rancho Oil	104	+ 16
Cadogan de Depot	26	+ 10	Sunderland Elec	303	+ 11
Chillingham	60	+ 25	Stirling	67	+ 0
Drummond	26	+ 24	Total Systems	79	+ 4
East Midlands Elect	94	+ 26	Unilever		
First	340	+ 5	Unilever	86	- 5
First Philippine	114	+ 11	Amey Day	178	- 7
Fisons	215	+ 11	Ladbrokes	281	- 13
Fondriaria	306	+ 12	Peninsular		

## GE Capital secures lower price on GPA

By Roland Ridd

GE CAPITAL will be able to exercise its option to take control of GPA Group for less than \$200m (£130m), according to a draft prospectus circulated to shareholders.

The option price is \$100m less than lenders to the Irish aircraft leasing group were expecting when the prospective deal between the two companies was signed last month.

It reflects the tough negotiating stance of GE Capital, the financial services arm of General Electric of the US, which under

the terms of the deal can choose to exercise its option as late as March 31, 1997.

The US group has also agreed in principle to buy \$135m of GPA's aircraft.

GPA advisers believe there has been no real deterioration in its trading position over the last month.

GE Capital's option price is for 65 per cent of the group. It could rise to 80 per cent if key GPA shareholders fail to underwrite an additional loan of up to \$150m, which is partially convertible into equity.

However, GPA remains confident some shareholders will join in the deal.

GPA has already started to seek irrevocable commitments from its core shareholders to vote in favour of the agreement with GE Capital before its extraordinary general meeting in August. The group needs the support of holders of 75 per cent of its shares.

Directors of GPA, meeting at their headquarters in the Republic of Ireland, yesterday approved the repayment of \$122m of medium-term notes due on Wednesday after deciding that the group's working capital requirements were satisfactory.

GPA's 138 lenders have been asked to extend their waivers of breaches on its banking covenants to the end of July. The request comes in a document from the group which also contains the final draft bank implementation agreements on the restructuring of GPA's \$5.2bn borrowings.

The key lenders hope to finalise the bank agreement by early August. GPA hopes to have its results for the year to March 31 in a final form by the end of June.

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## Nikki Tait analyses a shake-up at the world's biggest package delivery group

### UPS rethinks its deliveries of red ink from Europe

UNITED Parcel Service, the world's biggest package delivery company, is rethinking its European strategy.

"We're going through the kind of appraisal we've never had time to do," admits "Oz" Nelson, UPS's chairman.

The motive is simple. UPS, a privately owned company handling almost 3m packages a year and clocking up annual revenues of \$16.5bn (£10.7bn), has spent the past eight years buying up local delivery firms across Europe. The 16th and final transaction, the purchase of Carriest in the UK, was announced in June last year.

Although most of the deals were modest, UPS's total European investment, including reorganising the acquired facilities, is thought to have topped \$1bn.

Its reward, however, has been a steady flood of red ink. In 1992, "foreign" operations lost \$276.2m before tax. This stretches the cumulative deficit for the last three years to \$758.8m.

UPS does not split out its international businesses, but it does confirm that the bulk of these losses are in Europe.

Ominously, the company has abandoned its long-held aim of achieving profitability in the region by 1994.

"Maybe we'll get there in 1996," says Mr Nelson.

UPS is not alone in losing money hand-over-fist on a European delivery business. Federal Express, UPS's Memphis-based rival, was obliged to abandon its attempt to establish an intra-European delivery network last year, after operating losses mounted to more than \$100m a quarter.

The retrenchment cost 6,600 jobs and produced a one-off

charge of \$254m.

Most analysts attributed these problems to a serious mismatch between supply and demand. The two US giants were drawn to Europe because they believed that a unified European Community would accelerate the development of pan-European businesses and create a related demand for speedy, reliable cross-border delivery services.

To an extent, this has happened. UPS, for example, signed a contract earlier this year with General Motors' European distribution network for the overnight delivery of repair parts for Opel and Vauxhall cars.

But in general the pick-up in cross-border volume has been slow to emerge. The overnight intra-European market has been put at fewer than 200,000 packages per day, for example, against 2m-3m sent around the US.

Federal's retrenchment removed one competitor from the market but other big firms - notably Brussels-based DHL, Australia's TNT and UPS - continue to battle for these thin pickings. In short, there is overcapacity.

But, until recently, UPS concentrated on delivery rather than on the service, which in turn led to strict work-rules and a rather conformist culture. The company employed efficiency experts, for example, to determine how fast drivers should walk, how they should carry the packages, handle van keys, and so on.

By contrast, UPS's marketing department consisted of half a dozen people. The company also clung to listed delivery rates long after competitors, such as Federal and Airborne Express, wooed corporate customers with discount offers.

Attempts to impose the same corporate approach in Europe have not always gone smoothly. In Spain, for example, where UPS purchased a package delivery

Geographic split of sales and profits



company called Cuallado in 1990, there was a costly one-month strike by drivers last year. The drivers' grievances centred on US-style working conditions: they were unhappy about UPS's no-smoking rules and its uniform requirements.

In France, meanwhile, UPS lost some top management when executives retired shortly after the Frost Transport acquisition. In Italy, it simply misjudged the competition: delivery by the Italian post office is very cheap.

"Anyone who can wait two or three days is not going to pay our rates," admits Mr Nelson. UPS says that it learnt two decades ago, when it first tried to build a German network from scratch, that foreign operations have to be run locally.

Although top management has now changed at the Spanish, Italian, and to an extent at the French operations, Mr Nelson says the company still employs relatively few US nationals in Europe.

But he is equally emphatic that these local managers, with the Atlanta head office, need to make

a thorough assessment of prospects.

How radical the conclusions may be is a moot point, but it seems a serious reshaping may be on the cards. For example, in Italy, Mr Nelson is mulling over the possibility of turning the business into a courier service "when we grow up there".

He is also insistent that much of the solution in Europe needs to be marketing-driven, giving the operations more support through the regional headquarters in London. This mirrors the changes which he has just pushed through in the US.

At the end of the day, UPS's weaknesses may be its strengths. The company has long pockets, a solid balance sheet, a large profitable US business, and - because of its private status - no pressure from Wall Street investors. It also invites European managers into the ownership structure, giving them a vested interest in success.

Asked to confirm that UPS will not repeat Federal Express's retrenchment, Mr Nelson says: "We don't walk away. We may tackle it differently."

Shares in some of five bank funding the group's creditors' committee have suffered, with stock in Mediobanca, leading the rescue talks, falling 5.7 per cent to L15,350 yesterday.

Ferruzzi's problems appear not to have affected its activities in the commodity trading sector, where the group retains active, if reduced, presence in many commodities markets.

Fondriaria's future, Page 20

Fondriaria's future, Page 20

Fondriaria's future, Page 20

## UBS faces legal challenge from shareholders on raising capital

By Ian Rodger in Zurich

BK VISION, the Swiss financial securities investment company, has launched a legal challenge against new bylaws of Union Bank of Switzerland that would enable the bank to raise capital without offering prior rights to shareholders.

BK, which was set up in October, 1991 by Mr Martin Ebner's BZ Bank group, is already the largest single shareholder in UBS with a 15 per cent stake.

BK's policy is to take an active interest in the strategic policies of the financial companies in which it holds stakes and to protect shareholder interests if the need arises.

It justified recently with UBS over its decision to sack Mr Christoph Blocher, a BZ group ally, from its board, but chose

not to make a stand on that matter.

Mr Ebner, who is BK's chairman, said yesterday that the argument over the bylaws was less likely than the Blocher case to become emotional. Moreover, if BK did not take it up, then it would forfeit its credibility as a responsible shareholder.

UBS enacted resolutions at its annual meeting in April taking advantage of provisions in last year's revised Swiss companies law enabling companies to create authorised capital that could be used for "important purposes" at any time for up to two years. The new law also enabled them to create conditional capital for use indefinitely in convertible or warrant issues.

In both cases, there was the possibility of issuing shares without offering shareholders normal

priority subscription rights.

BK is claiming that the law requires such resolutions to cite a purpose for which the authorised shares are to be used, such as a specific acquisition.

UBS made no specification, but its bylaws already say that such shares could only be used for takeovers or financing takeovers.

BK also claims the decision on whether to waive shareholder rights cannot be delegated from the general meeting to the board.

UBS acknowledged that the new companies law "left several points of law open" and welcomed the opportunity for early clarification by the courts. It argued that "a narrow interpretation of the new legislation would do insufficient justice to the practical needs of today's companies and the specific situation of the capital market".

The group also chose to write off \$21m of advance corporation tax, raising the tax charge to £15.5m, in a move which will give the group a normal tax charge in the years to come.

BET shares rose 3p to 111p. Lex, Page 18; Details, Page 26

## BET cuts dividend after loss

By Richard Gourlay in London

BET, the business services company, yesterday cut its final dividend after reporting another year of losses and continuing downward price pressure in its main markets.

Pre-tax losses in the year to the end of March were \$9.8m (\$15m) on sales of £2.18bn. The figure was struck after further provisions for the cost of stripping out all management layers between the profit centres and head office and also to cover further asset value write-downs.

Mr John Clark, chief executive, said that in spite of the losses, the group had now put its balance sheet on a sound footing after the repayment of all its auction market preferred stock. The way was now clear for a return to profitable growth.

He warned, however, that BET still needed to cut costs at the operating level - where margins have continued to slide - as the group still faced falling prices and pressure from competitors, who were prepared to sell purely on price.

BET would still need the last year of its self-imposed three-year "turnaround programme" to establish the right mix of businesses and to bring profitability up to that of competitors.

As expected by the market, BET chose to cut the final dividend. The final payment will be 1.25p, bringing the total for the year down to 3.25p from 6.5p. The loss per share was 4p compared with a 63.3p loss last year.

The pre-tax loss for 1991-2 of \$48.4m included nearly \$500m of provisions for goodwill write-offs and losses on disposal or termination of underperforming operations.

This year £33m of provisions covered reorganisation of management and installation of management control systems. Combined with a unified reporting and accounting procedure introduced last year, head office now had a clear picture of what was going on at its 80 profit centres.

In addition BET wrote off £42m from the value of assets, including £10m off the value of property to be sold imminently. BET said these provisions completed "the major retrenchment activity".

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FT 156/93



## INTERNATIONAL COMPANIES AND FINANCE

Finnish banking group hit by write-offs on credits

## Unitas slides to FM512m loss for first four months

By Hugh Carnegie  
in Stockholm

A DOUBLING of loan losses plunged Unitas, Finland's second-largest banking group, deeper into the red in the first four months.

However, credit write-offs appear to be reaching a peak and should not exceed last year's total.

In a stark illustration of the depths of the crisis in the Finnish banking system, Unitas reported pre-tax losses of FM512m (\$93.9m) - almost twice the level in the same period of 1992, when losses reached FM266m.

The chief culprit was another spate of bad loans, with write-offs on credits and guarantees rising by just over 100 per cent to FM145m, from FM145m.

However, the portfolio of non-performing credits fell by FM268m from the end of 1992 to FM3.57bn at the end of April. Of this total, some 18 per cent is accounted for by the trade, restaurant and hotel sectors, 12 per cent by property and 10 per cent by the construction industry.

Mr Vesa Vainio, chief executive, said the result for the year would show some improvement on the FM7.2bn loss in 1992, when credit losses tripled to FM3.3bn. But he warned the result would remain "severely negative".

Mr Vainio predicted that Unitas, the holding company for the Union Bank of Finland, would achieve its strategic objective of avoiding takeover by the state, a fate that has already befallen two Finnish banking groups.

Due to a fall in its risk-weighted assets to FM127.3bn from FM130.4bn at the end of 1992, the group's capital adequacy ratio under BIS calculations was down only marginally to 11 per cent from 11.1 per cent.

Unitas said that even without the FM1.7bn in preferred capital it received from the government last year, its capital adequacy ratio would be above the international minimum of 8 per cent.

The group reported that a trend of falling interest rates had led to a faster growth in interest income than interest expenses, resulting in a rise in net interest income of 7.5 per cent to FM686m. There was also a 38 per cent rise in other income to FM697m. However, group operating expenses rose 6.4 per cent to FM851m.

## Finance chief of Sandoz resigns

By Ian Rodger  
in Zurich

MR VICTOR Bischoff, chief financial officer of Sandoz, has left the Swiss pharmaceutical and chemicals group "by mutual agreement".

Mr Bischoff, who led the former secretive group's moves towards greater transparency and involvement in international capital markets, is the third senior executive to leave in recent months.

Mr Max Link, formerly head of Sandoz' pharmaceutical division, has left to head another drug company, and his successor, Mr Rolf Soiron, has also moved on.

Their departures come at a time when the group appears to be preparing for the succession to Mr Marc Moret, the anticancer 69-year old chairman.

Mr Moret announced in March that he would step down as president of the executive board, but would carry on as chairman and chief executive officer.

Mr Daniel Wagniere, head of the group's US subsidiary, is to succeed him.

"This would appear to be further shake-out from the recent top-level changes," said Mr Peter Smith, pharmaceuticals analyst at brokers James Capel in London.

Sandoz declined to give any reason for Mr Bischoff's departure.

He joined the group in 1987 and became a member of the executive board in 1990.

BP France said its chairman, Mr Raymond Bloch, will resign on September 30 and will be replaced by managing director Mr Paul Castellan, Reuter reports from Paris.

Mr Bloch, 54, said the development of BP France over the last few years was such that it no longer required both a chairman and a managing director. Mr Bloch will remain a member of the board.

The company said the decision was made before British Petroleum announced on June 9 an offer for the 14 per cent of shares in BP France that it does not already own.

## Fondriaria's fate seems to be sealed

Analysts believe the Italian insurer will be sold, says Haig Simonian

ASK Mr Arrigo Bianchi di Lavagna, new managing director of Italy's Fondriaria, about the need for disposals to cut borrowings and you will be invited to inquire at Ferruzzi, the main shareholder. Ask Ferruzzi, and the answer is simple: Fondriaria, Italy's third-largest insurer, is not for sale.

But after this month's revelations of huge debts at Ferruzzi and the Ferruzzi family's decision to put the group's future in the hands of its bankers, many observers believe Fondriaria's fate has been sealed. Mr Bianchi di Lavagna is preparing it for the block.

Even if disposal is not a foregone conclusion, Fondriaria must be turned around. With Ferruzzi struggling for survival, Fondriaria - which lost about L580bn (\$382m) last year and faces consolidated net debts of about L2,000bn - must start paying dividends again.

Much of the borrowing came under Mr Alfonso Scarpa, Fondriaria's former managing director, who oversaw an ambitious but ill-fated expansion into insurance abroad and diversification at home. Fondriaria invested about DM1.21bn (\$744m) in Aachen and Münchener Beteiligungs, Germany's second-largest insurer, in which it had a 21 per cent stake. It also had a holding in the linked Volksfürsorge (Vofu) life group as part of an ambitious expansion plan.

Last month Fondriaria sold its shares in AMB and the subsidiary controlling Vofu. The disposal will net about



Arrigo Bianchi di Lavagna: core business is a priority

DM1.18bn, less than the original investment and a hefty loss when interest payments on the money borrowed to buy the shares are taken into account.

Untangling the German commitment means Mr Bianchi di Lavagna can turn to some of the domestic loss-making ventures into which Fondriaria diversified. These included clinics and hotels. In both cases, Fondriaria not only bought the properties but also took management responsibility. Moreover, much of the diversification was financed by borrowing. The clinics and hotels are now for sale.

Stripped of the loss-makers, the priority will be to improve earnings at the core insurance business. The Fondriaria group made underwriting losses of about L43bn last year. Losses were heaviest in third-party motor policies, where Italian

insurers have taken a battering as state-regulated tariffs have failed to keep up with the cost and quantity of claims.

Mr Bianchi di Lavagna has two strategies to deal with the motor side. First, tariffs must rise to cover losses - which will be possible after liberalisation in July 1994. Second, Fondriaria must reduce the share of third-party motor insurance in its portfolio. It now has about 13.5 per cent of the Italian market for third-party motor cover - more than double the share of its nearest competitor.

Third-party cover is an important cash-cow, generating about L8.4bn in daily premiums for Fondriaria. But competition is likely to keep profits under pressure, forcing Fondriaria to broaden its product base.

Many observers have already discounted Mr Bianchi di Lavagna's success in turning the group round. The focus has shifted to the group's fate after his medicine starts working.

Finding a single buyer for the group as it stands would probably maximise the return for Ferruzzi and the family of Mr Camillo De Benedetti, the Italian financier who died earlier this year. They jointly control Fondriaria through the quoted Gaic holding company.

But Fondriaria will not come cheap. With aggregate premiums of L3,101bn last year, the group would give a foreign insurer an enviable position in the Italian market, widely believed to have the highest

growth potential in Europe. Failing that, a break-up is the obvious solution. Ironically, that has been made easier due to the 1990-91 restructuring by Mr Scarpa, who reorganised the group into a holding company with three main subsidiaries.

The biggest, La Fondriaria Assicurazioni, had premiums of L1,859bn last year. Milano Assicurazioni had L1,420bn, while La Previdente had L1,289bn. Each could be an attractive buy in its own right.

Two of the three have big individual investors, which look like obvious bidders. Istituto Bancario San Paolo di Torino, Italy's largest bank, owns about 27 per cent of Milano, while GroupAMA, the big French mutual insurer, has 20 per cent of La Fondriaria Assicurazioni. San Paolo is already working closely with Milano on a range of insurance and banking products; it is also one of Ferruzzi's biggest bank creditors. GroupAMA could also be tempted by Fondriaria as an easy entrée into Italy.

Many observers expect Generali, Italy's largest insurer, to buy at least part of Fondriaria. Mediobanca, the merchant bank leading the five-bank committee of Ferruzzi's biggest creditors, is also a leading shareholder in Generali.

The Italian market is sufficiently fragmented for Generali to buy a Fondriaria unit without hitting monopoly barriers. RAS, Italy's second largest insurer, which is owned by Germany's Allianz, could also be a suitor.

## State set to offer 43% of Tele Danmark

By Hilary Barnes  
in Copenhagen

THE DANISH government is preparing to sell off a large minority stake in Tele Danmark, the state's monopoly telephone company.

Mr Arne Melchior, communications minister, said the government was prepared to reduce its present 94 per cent holding in Tele Danmark to 51 per cent within the next 12 months.

The company was formed in 1991 through the merger of five regional telephone companies. The shares were yesterday suspended on the Copenhagen stock exchange at DKK170 (\$27).

Plans to sell off shares to the public have been delayed several times by political difficulties.

The shares currently carry two conditions which mean that the share price does not reflect the value of the group. This has made them unattractive to private investors.

## Steyr chief expects Sch100m shortfall

STEYR-Daimler-Puch Machinery, the Austrian arms and vehicle maker, is expected to make an operating loss of at least Sch100m in 1993, chief executive Mr Rudolf Streicher told the company's annual meeting, Reuter reports from Vienna.

"We expect a triple-digit loss (in millions of schillings)," Mr Streicher said. Only two of the 13 companies Steyr controls - Steyr Mannlicher and Steyr-Daimler-Puch Spezialfahrzeug - had delivered a positive result so far this year, he added.

He declined to give full details of first-half performance ahead of the presentation of final half-year results in July.

Steyr is 71 per cent owned by Creditanstalt-Bankverein. However, Mr Streicher said that Steyr, which had a 1992 net profit of Sch17.5m (\$1.53m) in figures which were consolidated for the first time, had suffered a further turnover loss so far this year.

Group turnover was down in the first four months by 30 per cent at Sch3.9bn against a year earlier.

Only the Eurostar minivan joint venture, being operated with Chrysler Corp of the US was on target, with turnover running at Sch2.7bn during the first five months.

Wholly-owned subsidiary Steyr-Daimler-Puch Fahrzeugtechnik has been worst hit, with turnover down 86 per cent so far this year - in line with the fall in turnover at the company in 1992.

Landis & Gyr, the Swiss electro-mechanical engineering group, yesterday said that Mars Electronics International, a unit of Mars Inc, had acquired the assets, trademarks and technology of its Sodocash Cash Management Systems unit. Reuter reports from Zug. Sodocash employs about 80 people, and has annual sales of SF30m (\$20.7m). The company was unavailable for comment on financial details of the deal.

## East Midlands Electricity lifts payout 14%

By Michael Smith in London

EAST MIDLANDS Electricity set the scene for high dividend rises among UK regional electricity companies (Recs) when yesterday it raised its payout to shareholders by 14 per cent.

Analysts had expected East Midlands, the first of the ReCs to post results for last year, to offer one of the lowest dividend rises.

"We might be looking at 14 per cent plus for all of them now," said one.

For the year to March 31, East Midlands reported pre-tax profits up 3.4 per cent at £155.1m on turnover up 1.7 per cent to £1.57bn. The final dividend was 13.79p net, making a total of 19.5p, paid from earnings of 53.3p, up 6.4 per cent.

The shares rose 6p to 456p, and the expectation of high dividend rises benefited other companies: London Electricity rose 10p to 465p and Yorkshire Electricity was up 10p at 512p.

Mr John Harris, East Mid-

lands chairman, said this year's dividend did not mean that company would necessarily provide increases at the same level in future. He saw no risk of being penalised by the regulator for the dividend rise.

"We have demonstrated we are one of the lowest cost operators in the country and we are reducing tariffs in real terms," he said.

The City applauded East Midlands for its attack on costs. Mr Harris said the restructuring of its core elec-

tricity business, which involves cutting operating divisions from 13 to seven, would reduce operating costs by £10m a year when fully implemented.

Electricity supply and distribution made operating profits of £178.6m, up 16.4 per cent. However, the energy services made an operating loss of £4.9m compared with a profit of £2.8m in 1992.

Mr Harris admitted not all the contracting businesses had performed as well as expected. *Lex, Page 18*

## SPOT FX

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## VARDA AS

Notice of Annual General Meeting  
which will take place on Monday 21 June  
1993 at 1700 hrs. at Shippingklubben,  
Haakon VII's gt. 1, Oslo 1, Norway

## Agenda items:

- Election of an assembly Chairman and two shareholders to endorse the minutes of the assembly. Registration of shareholders.
- The Company's 1992 Accounts.
  - Approval of the Profit and Loss Statement for the year 1992 and the Balance Sheet as of 31 December 1992, including the Board of Directors' Report and the Auditors' Report for 1992.
  - Approval of the Board of Directors' recommendation or covering the loss in 1992.
  - Approval of the Consolidated Profit and Loss Statement for 1992 and the Consolidated Balance Sheet as of 31 December 1992.
- Approval of the remuneration to the Board of Directors.
- Approval of the Auditors' Fee.
- Election of the Board of Directors, including the Board's Chairman.
- Consideration of the Board's proposal to extend Mosvold Farsund AS' stock option until 28 February 1995.
 

The Board has concluded a stock option agreement with Mosvold Farsund AS with the General Assembly's authorization. The Board proposes that this option be extended by one year until 28 February 1995. The Board submits for approval the following proposal:

"The General Assembly authorizes the Board to extend the stock option agreement with Mosvold Farsund AS until 28 February 1995. The General Assembly's authorization to the Board to increase the share capital by up to NOK 3,688,000, given at the Extraordinary General Assembly of 9 February 1993, is extended until 28 February 1995 inclusive."
- Miscellaneous.

The Board of Directors of Vard AS  
Hoffteien 15, P.O. Box 244  
Skjervei, 0212 Oslo, Norway

June 1993

## Notice of Substitution

U.S. \$20,000,000

Banco Itamarati S.A.

(Incorporated in the Federative Republic of Brazil)

11% per cent. Notes due 1995

Notice is hereby given to the holders of Banco Itamarati S.A. U.S. \$20,000,000 11% per cent. Notes due 1995 (the "Notes") that pursuant to an Extraordinary Resolution passed at the Noteholders' Meeting held on June 11, 1993, the assumption by Internationale Nederlanden Bank (Luxembourg) S.A. of all the authority, rights, powers, duties and obligations of Internationale Nederlanden Bank (France) S.A. in respect of the Notes was approved and has now been effected.

FISCAL AGENT  
The Chase Manhattan Bank, N.A., London Branch  
Woodgate House  
Colebrook Street  
London EC2P 2HD

By: The Chase Manhattan Bank, N.A.,  
London, Fiscal Agent

June 15, 1993



BANQUE PARIBAS

US\$200,000,000  
Undated floating rate  
securities

In accordance with the provisions of the securities, notice is hereby given that for the three month interest period from 15 June 1993 to 15 September 1993 the securities will carry an interest rate of 3.5625% per annum. Interest payable on 15 September 1993 per US\$1,000 security will amount to US\$9.42 per US\$1,000 security.

Agent: Morgan Guaranty Trust Company

JPMorgan



The Kingdom of Belgium

US\$400,000,000  
Floating rate notes due  
December 1999

In accordance with the provisions of the notes, notice is hereby given that the rate of interest has been fixed at 3.4375% for the interest determination period 15 June 1993 to 15 December 1993. Interest payable on 15 December 1993 will amount to US\$1,747.40 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan



BANQUE PARIBAS

US\$400,000,000  
Undated subordinated  
floating rate securities

In accordance with the provisions of the securities, notice is hereby given that for the interest period from 15 June 1993 to 15 September 1993 the securities will carry an interest rate of 3.5625% per annum. Interest payable on 15 September 1993 per US\$1,000 security will amount to US\$9.42 per US\$1,000 security.

Agent: Morgan Guaranty Trust Company

JPMorgan



Wells Fargo & Company

US\$150,000,000  
Floating rate subordinated  
notes due 1994

In accordance with the provisions of the notes, notice is hereby given that for the interest period 15 June 1993 to 15 September 1993 the notes will carry an interest rate of 5.25% per annum. Interest payable on the relevant interest payment date 15 September 1993 will amount to US\$134.17 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Shearson Lehman Brothers Holdings PLC

(Incorporated in England)

U.S. \$175,000,000

Guaranteed Floating Rate Notes due 1995

Guaranteed as to payment of principal and interest

unconditionally and irrevocably by

Shearson Lehman Brothers Holdings Inc.

(Incorporated in the State of Delaware)

In accordance with the Terms and Conditions of the Notes, notice is hereby given, that for the interest period from June 15, 1993 to September 15, 1993 the Notes will carry an interest rate of 4.125% per annum. The amount payable on September 15, 1993 will be U.S. \$10.54 for Notes in denominations of U.S. \$1,000.

By: The Chase Manhattan Bank, N.A.,  
London, Agent Bank

June 15, 1993





## COMPANIES AND FINANCE

## Apple PC price cuts and rebates may spark battle

By Louise Kehoe  
in San Francisco

APPLE Computer yesterday announced US price cuts and customer rebates in a move that could spark a price war in the personal computer industry. Over the past 18 months, prices of PCs in the US have declined by nearly 50 per cent.

Last week Apple's share price fell sharply when the company predicted lower than expected second-half earnings because of price cutting. Apple was trading yesterday at \$43½, its lowest price in eight months.

Apple lowered US retail prices on selected computers by between 6.8 per cent and 12.6 per cent, and by as much as 26 per cent on some peripherals.

The company also announced a promotion with "On-the-spot rebates", giving customers cash rebates of \$50 to \$350 on the purchase of a selection of Macintosh computers and Apple scanners and printers.

For example, a Macintosh IIfx 4/80, middle of the product line desktop computer was reduced from \$1,399 to \$1,299. Purchasers will also get a \$150 rebate, until September 30, bringing the effective price down to \$1,149.

"Momentum for Macintosh products remains strong - unit shipments increased 35 per cent in the first half of our fiscal year," said Mr Bob Pette, president of Apple USA. "And, we're committed to accelerating that momentum."

Yesterday's moves mark the second time in two months that Apple has reduced prices. In May, the company lowered the prices of some of its computers by up to 16 per cent and cut some printer prices by 28 per cent.

Separately, Apple introduced a new low-cost laser printer aimed at consumers and the education market. Priced in the US at \$399, the new Personal LaserWriter 300 is one of the cheapest laser printers on the market.

## Caisse de Dépôt buys further 22% of Univa

By Robert Gibbens in Montreal

CAISSE de Dépôt, which manages Quebec's public pension funds, is buying 22.5 per cent of Univa, Canada's second biggest food distributor.

It is buying the shares from Mr Bertin Nadeau, a Montreal entrepreneur, for C\$171m (US\$134m). The deal increases Caisse's shareholding in Univa to 36 per cent, including shares it already owns. However, it is looking for an investor to buy part of this.

Caisse is paying C\$6.50 a share, or slightly more than the recent stock market level. It is not required to make a follow-up offer. Mr Nadeau, through his Unigeco holding company, owned 26 per cent of Univa. He was the biggest single shareholder and was chairman of the Univa board.

Including 2.2m Univa shares that Unigeco is transferring to the Ontario Teachers Pension Board to satisfy a C\$25m debenture exchange option, Mr Nadeau is effectively receiving C\$156m. He will use the proceeds to meet Unigeco debt payments due over the next year.

In February New York investment bankers Blackstone Group offered C\$11 each for all Univa's shares in a takeover worth around C\$1bn. This was withdrawn following opposition from the Caisse.

E. M. Warburg Pincus, another New York investment group, also bid C\$8.85 a share for Mr Nadeau's 26 per cent, but withdrew at the last moment.

Laurentian, the financial services group, has negotiated a C\$130m five-year line of credit with National Bank of Canada, National Westminster Canada, and Credit Lyonnais Canada to be used partly to repay a C\$70m preferred issue.

BCE, Canada's biggest telecommunications group, is selling BARN, an international lottery ticket manufacturer, to one of Canada's fastest-growing commercial printers for C\$47m. The disposal completes nearly all BCE's divestment of non-telecom activities.

## Carmakers' prophet shows the road ahead

Mr José Ignacio Lopez shares his vision for Europe with Christopher Parkes

ACCORDING to the prophet Mr José Ignacio Lopez de Arriortua, the European car industry will go the same way as steel and shipbuilding unless the third industrial revolution gets under way soon.

According to Mr Lopez, the engineer, the seeds of revolution number three - the successor to the steam-powered loom and the moving production line - have already been sown in the vast factory halls of Volkswagen's German works.

And if Mr Lopez the long-sighted manager has his way, a second crop of radical changes in manufacturing methods will soon be sprouting on a new green-field site in northern Spain.

Adaptively swapping all three hats in his first full-scale outing yesterday, Mr Lopez totted up the components of the impending crunch. International investment plans in motor manufacture, most notably Korea's proposals to raise output from 2m to 7m cars a year, would burden the world with more than 10m cars' worth of excess capacity by the end of the 1990s, he said.

In Europe, all the trends, especially cost structures and imports from Japan and Japanese transplants in the US and England, were going in the wrong direction.

Mr Lopez flashed up a graph showing all German motor

makers' input costs rising dramatically - except for one. The line for Adam Opel, his former employer, clearly demonstrated his ability to reduce costs and keep them moving down.

If the battle for the motor industry were lost, European manufacturers were fated to become second-class citizens, he said.

Not to fear though: VW had chosen to fight and to win. Promising quantum leaps, powered by a concept dubbed Continuous Improvement Programme Squared (KVP2), Mr Lopez unveiled a graph showing VW's future performance boudoir in a series of dramatic loops way above the steadily-rising trend line established by the Japanese. The time-scale axis was void of numbers.

To clear any doubts, he flashed up more charts and figures. Since he joined VW in mid-March he and his team have set up and completed 114 one-week workshops in which teams of freshly-inspired workers had already unleashed part of the power of KVP2.

Average results from these projects have so far shown a 30 per cent improvement in quality. Productivity was up an average 28 per cent. Lead times have been reduced by 37 per cent, stock requirements by 34 per cent, and the necessary working space by 29 per cent.



José Ignacio Lopez: 'lost enthusiasm' with GM plans

As a prize example, he selected the piston press assembly shop in the Salzgitter works, where productivity was already up 67 per cent and the workforce was operating in 60 per cent less space. Even as he spoke, 41 further workshops were under way and 53 were planned for next week.

However, apart from some generalities about "spirit, ascendant values, protagonism", he divulged few details. He was giving little away which might benefit competitors. He was, rather, sharing his vision of himself as a committed European, en mission searching restlessly for new

inefficiencies to be rooted out, while bidding to soften some of the harsher impressions of his manner and methods disseminated by the media.

It was naive to believe that a 30 per cent improvement in productivity could lead to 30 per cent fewer jobs, he claimed.

His whole concept was founded on the principle that if VW offered customers cars stuffed with enhanced value, at prices the market could bear, they would buy more cars and the company could employ more people.

Similarly, the man known as the "strangler" out of respect

for his rigorous ways with component makers, claimed that far from reducing the number of the group's outside suppliers, their numbers might even grow from around 10,000 now to as many as 30,000 under the beneficent impact of KVP2.

While this appeared to be at odds with other official statements from within the VW hierarchy, Mr Lopez showed himself to be a man unafraid of a little fudge.

On the issue of his bizarre defection from GM this spring, he claimed Mr Ferdinand Piëch, group chairman, and he had been brought together before Christmas by "a supplier".

Earlier statements from Mr Piëch to the effect that he had been approached directly by Mr Lopez were "a misunderstanding", a spokesman explained.

But he was quite clear on the reasons for his arrival at VW: on March 8 at Adam Opel, he discovered that GM had different ideas for his ultra-lean dream plant for a dream car in the dream location of his Basque homeland.

"I lost my enthusiasm and willingness when I realised they would not make it in the way I would like," he said.

"Mr Piëch promised me nothing, but he believes manufacturing can be improved by my ideas. I am confident we will have this plant."

## Investors sue Merrill Lynch over funds

By Patrick Harverson  
in New York

A GROUP of foreign investors is suing Merrill Lynch for more than \$60m. They allege that they were misled over the risks of an international mutual fund sold by the big US securities house.

The suit, filed in a San Diego court by individual investors and investment companies from Mexico, Liberia, Israel and the British West Indies, revolves around two of Merrill's mutual funds - the Short-Term World Income Portfolio and the Short-Term Global Income Fund - which invest in short-term foreign debt securities.

According to the suit, the two funds were broadly simi-

lar, yet the foreign investors in the World fund were not adequately informed in the prospectus of the risks, while the US investors in the Global fund were told of the riskiness of their fund's investments.

Merrill Lynch emphatically refuted the allegations. In a statement, the firm said: "There were no misrepresentations to World fund investors and there is absolutely no merit to this lawsuit."

Merrill said the investors ignored the full disclosure of currency and hedging risks in the prospectus, which met all international standards.

The investors suing Merrill are seeking to have their suits, which are claiming unspecified damages of at least \$6m, certified as a single class action.

## Marriott in \$32m charge

By Nikk Tait in New York

MARRIOTT Corporation, the US hotels and food services group, is to take a \$32m charge against its second-quarter earnings, to reflect more accurately the net realisable value of assets being "held for sale".

Marriott said the after-tax, non-cash charge followed discussions with the Securities and Exchange Commission. As a result of the talks, Marriott will now determine the net realisable value of all assets held for sale on a property-by-property basis.

It had previously calculated

the figure using a property-by-property analysis for its full-service hotels, but an aggregate basis - by hotel brand - for its other middle and economy-market hotel properties.

Marriott has also called its annual meeting for July 23, when it will ask shareholders to vote on its controversial "demerger" plan. Marriott wants to spin off its hotel management business, leaving the property assets and the bulk of the group's heavy debts in the ongoing company.

This has angered bondholders, and some have taken legal action.

## Ivax agrees to takeover

By Karen Zagor in New York

IVAX, a rapidly-expanding US holding company formed from the merger of three pharmaceutical and chemicals companies, yesterday agreed to buy Johnson Products in a deal valued between \$61m and \$73m.

On Wall Street, shares in Johnson Products, a health care products group, jumped 5% to \$24½, while Ivax edged ¼ higher to \$25½ after a delayed opening.

The planned deal is subject to a number of conditions, including regulatory and shareholder approval and con-

firms that the transaction qualifies for accounting treatment as a pooling of interests.

Johnson Products' majority shareholder has agreed to vote for the takeover unless the company's board accepts or recommends a better offer before July 29.

In Europe, Ivax has expanded rapidly. Efforts to extend its marketing network and product range includes the \$22m (\$33.8m) acquisition of Waverly Pharmaceutical, a privately-owned UK contract manufacturing group, and the purchase of Harris Pharmaceuticals, a generics maker.

## Bombardier aircraft plan

By Robert Gibbens

BOMBARDIER, the aerospace and transit equipment group, is moving towards production of the Dash-8-400, a 70-seater turboprop regional airliner.

Its de Havilland unit in Toronto, acquired in 1992 from Boeing, has invested C\$15m (US\$11.6m) in the Series 400 programme up until now.

Bombardier says wing design refinements and other technological improvements fit the aircraft closely to emerging market needs.

## CONSOLIDATED ANNUAL REPORT

Statement of Income		Consolidated Net Sales (for the period April 1, 1992 to March 31, 1993) (in millions of Yen)	
Net sales	4,627,499	4,627	4,627
Cost of sales	3,300,853	3,301	3,301
Income before taxes and minority interest	85,982		
Income taxes	83,045		
Net income	20,551		
Net income per share	6.40 (in Yen)		

Balance Sheet		Liabilities and Shareholders' Equity	
Assets		March 31, 1993 (in millions of Yen)	
Cash and cash equivalents	701,445	Bank loans and current portion of long-term debt	1,054,098
Notes and accounts receivable, trade	1,148,055	Notes and accounts payable, trade	803,889
Inventories	1,170,165	Other current liabilities	1,179,797
Other current assets	404,211	Long-term liabilities	1,306,003
Property, plant and equipment	1,326,851	Minority interest	137,275
Other assets	879,148	Shareholders' equity	1,146,813
Total assets	5,629,875	Total liabilities and shareholders' equity	5,629,875

In Touch with Tomorrow  
**TOSHIBA**

## The Royal Bank of Scotland Group plc

US \$500,000,000 UNDATED FLOATING RATE  
PRIMARY CAPITAL NOTES

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 15th June 1993 to 15th December 1993, the Notes will bear a Rate of Interest of 3.75% per annum. The amount of interest payable on 15th December 1993 will be US \$190.62 per US \$100,000 Note and US \$4,765.62 per US \$250,000 Note.

AGENT BANK: CHARTERHOUSE BANK LIMITED  
A Member of The Securities and Futures Authority

CHARTERHOUSE

U.S. \$600,000,000



Malaysia

Floating Rate Notes Due 2009

Interest Rate 5% per annum  
Interest Period 14th June 1993  
14th December 1993  
Interest Amount per U.S. \$10,000 Note due 14th December 1993 U.S. \$266.88

Credit Suisse First Boston Limited  
AgentTemple Court  
Mortgages (No. 2) PLC

£150,000,000

Multi-Class Mortgage Backed Floating Rate Notes 2031

Class A1 £75,000,000 Class A2 £75,000,000

The rate of interest for the period 11th June, 1993 to 13th September, 1993 has been fixed as follows:  
Class A2 is 6.4875 per cent, per annum payable at £167.08 per coupon.

Coupon No. 10 is payable on 13th September, 1993.  
Class A2 aggregate principal amount of Notes outstanding as at 11th June, 1993: £71,120,000.

S.G. Warburg & Co. Ltd.  
Agent Bank

## AgipPetroli

## SALE of LiquiPibGas S.p.A.

Agip Petroli S.p.A., headquartered in Rome, Via Laurentina 449, with fully paid up share capital of Lit 1,300,000,000,000, registered with the law courts of Rome n. 5405/77, seeks expressions of interest for the acquisition by a sole party of 100% of the liquidated petroleum gas distribution activity of its subsidiary LiquiPibGas S.p.A., headquartered in Milan, Via Medici del Vascello 26 ("LiquiPibGas"). Furthermore, Agip Petroli seeks expressions of interest for the acquisition of an interest in LiquiPibGas' terminal for the importing of liquefied petroleum gas, which is located in Livorno.

Expressions of interest must be for the acquisition of both of the following activities:  
**Distribution Activity** 100% stake of the company into which LiquiPibGas will contribute its distribution business consisting of a network for the distribution of liquefied petroleum gas.

**Livorno Terminal** Long term transit contracts and a minority stake of the company into which LiquiPibGas will contribute the activity of the Livorno terminal.

For the purpose of this transaction Agip Petroli has engaged the services of  
MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Corso Venezia, 54  
20121 Milan, Italy  
Alejandro O. Ross  
Tel: (39-2) 7744223  
Fax: (39-2) 76015284

Interested parties should apply in writing to MORGAN GUARANTY TRUST COMPANY OF NEW YORK for a copy of an Information Memorandum prepared by Morgan Guaranty to LiquiPibGas. Application by fax is acceptable. The Information Memorandum is only available to qualified limited liability companies which as of the date of the last approved financial statement continue to have an application for the Information Memorandum, net worth of not less than Lit 20 billion.

Applications for the Information Memorandum must be submitted no later than 25th June 1993. Prior to receiving the Information Memorandum, interested parties will be required to provide to Morgan Guaranty, in terms that Morgan Guaranty itself will indicate a Confidentiality Agreement, signed by a legal representative, together with financial statements for the last three years, a description of the applicant's activity and indication of the industrial objectives of the potential investment. Brokers or any other intermediary must disclose the name of their principal. Agip Petroli reserves the right, at its sole discretion and without assigning any reason, to refrain from providing the Information Memorandum to any interested party.

This advertisement is for information purposes only and is not and should not be construed as an offer to buy or sell securities in any jurisdiction. It is neither a public offer nor a solicitation to public saving ex art. 1/18 of Italian Law 7/674 n. 216 and successive modifications and integrations. This advertisement and any expression of interest deriving therefrom shall not bind Agip Petroli or LiquiPibGas to proceed with any sale. Agip Petroli and LiquiPibGas reserve the right to make any final decision as to whether to proceed with any of the proposed sales and on the terms of those sales.

This advertisement and the sale procedure are subject to Italian Law.

This advertisement, for which Agip Petroli S.p.A. is responsible, has been approved by Morgan Guaranty Trust Company of New York, a member of the Securities and Futures Authority, for the purposes of Section 57 of the Financial Services Act 1986. Morgan Guaranty Trust Company of New York is acting for Agip Petroli in relation to the publication of this advertisement and is not acting for any other persons and will not be responsible to such persons for providing protections afforded to customers of Morgan Guaranty Trust Company of New York or advising them as to any matter referred to herein.

NETHERLANDS  
BANKING FINANCE  
AND INVESTMENT

The FT proposes to publish this survey on **SEPTEMBER 10 1993**. For a full editorial synopsis and details of available advertisement positions, please call: **Milford Heine Widdell**  
Hertsmagd 472  
Tel: (20) 613 3030/22 5668  
Fax: (20) 613 3501  
or alternatively  
Sandra Lynch  
One Southbank Bridge  
London SE1 9UL  
Tel: 071-873 4199  
Fax: 071-873 3934

FT SURVEYS

C&G  
Cheltenham & Gloucester  
Building Society

£175,000,000

Floating Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 10th September, 1993 has been fixed at 6.0875% per annum. The interest accruing for such three month period will be £133.44 per £100,000 Bearer Note, and £1,334.38 per £100,000 Bearer Note, on 10th September, 1993 against presentation of Coupon No. 9.

Ulster Bank of Switzerland  
London Branch Agent Bank  
10th June, 1993

## City of Stockholm

US\$325,000,000

Floating Rate Notes due 1999

Notice is hereby given that the notes will bear interest at 3.3125% per annum from 15 June 1993 to 15 September 1993. Interest payable on 15 September 1993 will amount to US\$5.47 per US\$1,000 note and US\$54.63 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

NACIONAL FINANCIERA, S.N.C.,  
Trust Divisionas trustee of the Nafin Finance Trust  
(in trust under the laws of Mexico)

US\$200,000,000 Guaranteed Floating Rate Notes due 1997

Unconditionally and Irrevocably Guaranteed by

NACIONAL FINANCIERA, S.N.C.

Notice is hereby given that the Rate of Interest has been fixed at 5.90625% and that the interest payable on the relevant interest payment date, December 15, 1993 against Coupon No. 3 in respect of US\$10,000 originally issued face amount of the notes will be US\$132.18.

June 15, 1993  
By Citibank, N.A. (Issuer Services), Agent Bank **CITIBANK**

To the Holders of  
Restructured Obligations  
Backed by Senior Assets, B.V.

Pursuant to the Indenture dated May 1, 1990, as amended and restated as of June 15, 1990, between the Issuer and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period June 10, 1993 through September 9, 1993, the rates applicable to the Secured Senior Floating Rates are 3.675% and 4.125% respectively.







## INTERNATIONAL COMPANIES AND FINANCE

## Daiei to absorb three affiliates as demand slides

By Emiko Terazono in Tokyo

DAIEI, Japan's largest supermarket chain which is known for its aggressive expansion, has announced it will absorb three retail affiliates in next March, pushing annual sales up to ¥2,590bn (\$24bn) and widening its lead over Ito-Yokado, the country's second largest retailer.

The decision comes as Japan's retailers are being hit by a plunge in consumer demand and increased competition from discount chains and convenience stores.

The move is expected to accelerate the pace of rationalisation within the country's complex retail and distribution sector, lowering prices of consumer goods, including imports. Mr Yuji Tanahashi, vice-minister of the Ministry of International Trade and Industry, yesterday welcomed the move, adding that the retail sector would no longer be able to enjoy growth as strong as in the past.

Daiei will absorb Chujitsuya, Uned, Daiei and Daihana, three smaller regional supermarket chains. Daiei will issue a total of 167,951,000 new shares for the merger, allotting 12 Daiei shares for 10 Chujitsuya shares, and nine Daiei shares for 10 Uned shares. Daihana, a wholly owned subsidiary, will transfer its assets to Daiei.

The company will be the first retailer to have a national network from Hokkaido, the island in the north, to Okinawa in the south.

Mr Issa Nakachi, president of Daiei, said the merger will lead to a more efficient operation, through integration of merchandise purchasing, distribution networks and personnel. He said the company will promote imports and lower prices.

Daiei bought 41.9 per cent of Chujitsuya, which has a large network in the Tokyo area, in March last year, from Shinwa, the stock and property speculator, which was facing severe financial difficulties.

However, the rapid growth of its complex corporate structure has made the company's true financial state unclear. Among its many acquisitions, the company bought 34 per cent of Recruit, the publishing and real estate concern last year.

Meanwhile, Daiei's announcement prompted the Tokyo Stock Exchange to halt trading in Daiei and Chujitsuya shares, while trading in Uned, listed on the second section of the Osaka Securities Exchange, was also suspended. Ichiken, a construction company in the Daiei group, however, surged ¥110 to ¥1,110.

## S&amp;P downgrades Sony debt

By Michio Nakamoto in Tokyo

STANDARD AND POOR'S has downgraded the credit rating of Sony, the Japanese consumer electronics company, from single-A plus to single-A due to the company's sluggish business outlook both on the domestic market and overseas.

The international credit rating agency cited as reasons for the downgrading the weakening of Sony's earnings in the past two years, the gloomy outlook for its business in the face of continued weak demand in Japan and Europe, the strong yen and the lack of

products that are likely to be highly successful.

In the year in March, Sony reported a 57 per cent decline in pre-tax profits to ¥92.6bn (\$869m) on sales of ¥3,993bn, up 1.6 per cent.

The company is forecasting a 2 per cent decline in sales and a 6 per cent drop in pre-tax profits for the current year due in part to higher interest charges.

Sony is the latest of a number of Japanese electronics companies which have had their credit ratings downgraded in recent months.

The continuing slump in consumer spending in Japan

has been compounded by the adverse effect of the yen on the profitability of many electronics companies which depend on exports for a high proportion of their revenues.

S&P said that although Sony's capital structure did not deteriorate in the fiscal year that ended on March 31, debt leverage has been relatively high since the acquisition of Columbia Pictures (now Sony Pictures Entertainment) in 1989.

Sony Pictures Entertainment's subordinated rating has also been downgraded to A- from A.

## Kyotaru shake-up chief quits

By Robert Thomson in Tokyo

AN EXECUTIVE who transferred from Fuji Bank, the Japanese commercial bank, to oversee the restructuring of Kyotaru, a leading restaurant operator, has resigned after an apparent policy disagreement.

The dispute is one of an increasing number between Japanese banks and clients over the adoption of tough measures to reduce debt and streamline operations in line with bank recommendations.

Kyotaru said Mr Takeru Yamazaki, who transferred from Fuji Bank to become vice-president of the company,

had resigned for "health reasons". However, the bank says he resigned because Kyotaru insisted on a "self-restructuring", giving him little room to exercise influence.

The restaurant operator had agreed with its banks to reduce outstanding debts from ¥62bn to ¥40bn (\$375m) through the disposal of property assets, the sale of three US subsidiaries, and the closure of 30 family restaurants in Japan.

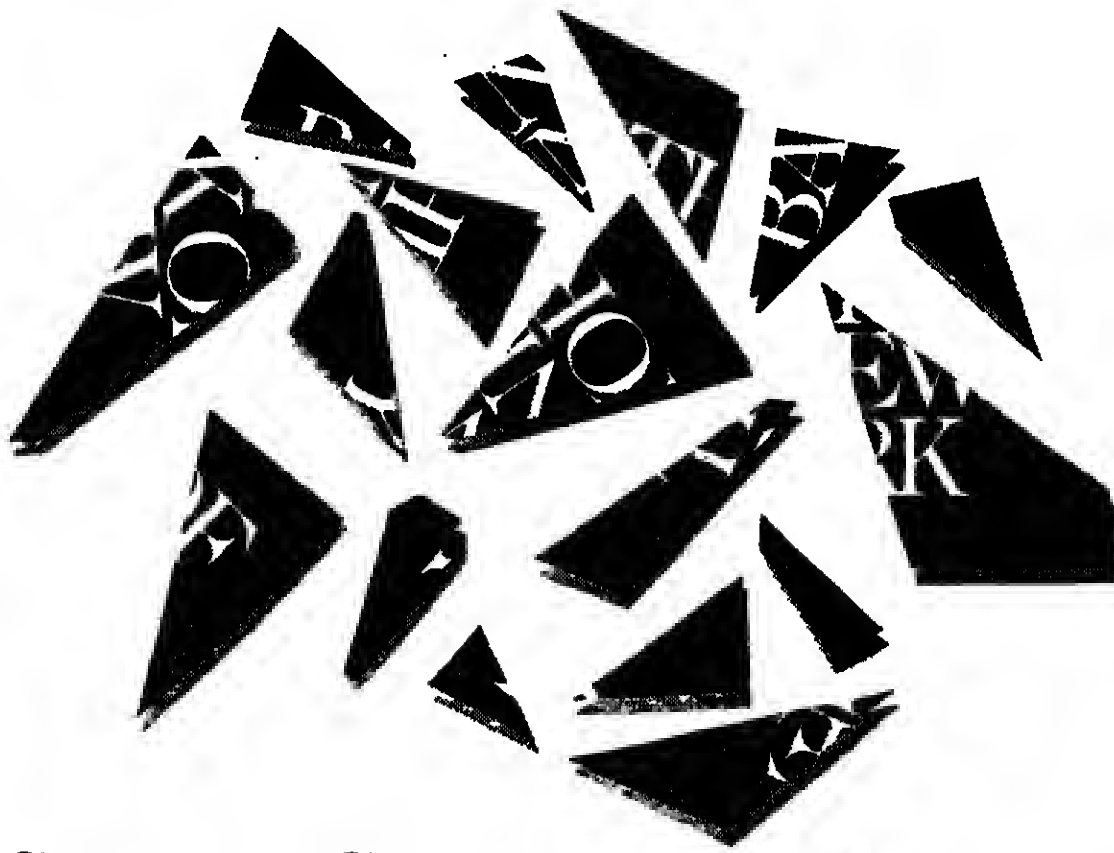
Kyotaru was forced to cover its losses following its guarantee of ¥15bn in loans for an affiliate, Edo Fudosan, which invested unsuccessfully in stocks and property. In the

year ended in December, Kyotaru reported a net loss of ¥12.2bn.

Fuji Bank, which holds a 4.8 per cent stake in the company, had taken a step typical in Japanese restructurings by sending Mr Yamazaki, a former director at the bank, to Kyotaru three months ago.

The disagreement between Kyotaru and Fuji Bank follows the dismissal of bank advisers by Azabu Building, a developer with ¥700bn in outstanding debts, after they urged the sale of assets including a Hawaiian hotel particularly cherished by Azabu's former chief executive.

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## Rotorex plans \$40m venture in Shenzhen

By Anthony Walker in Beijing

ROTOREX, the biggest US compressor manufacturer, plans to build a \$40m joint venture plant in Shenzhen, southern China's Special Economic Zone. The company expects to sign a formal agreement next month with a Shenzhen air-conditioning factory.

"We're completing feasibility studies," said Mr Stewart Pei, vice-president of Rotorex, "but we're certainly turning our attention from the US, our old market that is saturated, to China, a new market with a huge potential."

Rotorex's Shenzhen plant would produce 1.5m compressors a year. The Maryland-based company also plans to

sell 200,000 compressors, worth \$30m, to China this year.

"We've licensed three air-conditioner manufacturers in China," said Mr Pei, "but we want to do more." The three plants with Rotorex technology are in Nanjing, Guangzhou and Zhuhai, in China's booming southern coastal region.

As living standards have improved in recent years, sales of air-conditioners have grown steadily. China has now 177 home air-conditioner plants producing, in 1992, 1.5m sets, 155 per cent more than the previous year. More such plants are emerging across the country.

China imports 1.5m compressors a year, mostly from Japan and the US.

## Coles Myer sells stake in NZ supermarket group

By Bruce Jacques in Sydney

COLES MYER, the Australian retailer, has sold for NZ\$128.2m (US\$69.6m) its remaining 38.1 per cent stake in Progressive Enterprises, the New Zealand supermarket operator it bought in 1988 then floated in March last year.

Mr Peter Bartels, chief executive, said the buyer was Foodland Associates, the Western Australian supermarket group, at NZ\$2.00 a share.

Mr Bartels said funds raised from the sale would be used to expand Coles Myer's remaining interests in New Zealand which included the Kmart and Kates chains and retail property investments.

"Maintaining a minority interest in Progressive Enterprises does not sit well with our future strategy in New Zealand where we are committed to expanding strongly in the non-food retail sector," he said.

Mr Bartels said Foodland was already a significant participant in New Zealand supermarkets, owning the Rattray and Countdown chains.

He said two of Coles Myer's four directors on the Progressive board would step down immediately and the other two would step down on completion of the sale which required approval from New Zealand regulatory authorities.

## COMPANY NOTICES

## THE VENEZUELA HIGH INCOME FUND N.V.

## DIVIDEND NOTICE

Consistent with the authorization granted by the Board of Supervisory Directors on May 13, 1993, notice is hereby given that the Fund will pay a distribution of U.S. \$0.25 per share on July 15, 1993 to common shareholders of record at the close of business on June 30, 1993, in the case of shares held in registered form, or upon presentation of coupon number 8 attached to the common share certificate to the Fund's Paying Agent (on or after July 15, 1993), in the case of common shares held in bearer form.

By order of the Managing Director

Managing Director and Location of Principal Office  
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Willemstad, Curacao  
Netherlands, Antilles

Administrator, Registrar, Transfer and Paying Agent  
Cititrust (Bahamas) Limited  
Thompson Boulevard  
P.O. Box N1576  
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## COMPANY NEWS: UK

## SEC lifts restrictions on Zeneca share deals

By Paul Abrahams and Maggie Urry

UNDERWRITERS of Zeneca's £1.3bn rights issue will be able to trade normally in the shares over the next few days after the US Securities and Exchange Commission changed its decision on restrictions.

The SEC had previously said that underwriters would only be able to trade "passively" in the last five days before the June 21 close, starting today. But this limitation, which had raised fears that the underwriters would not be able to support the share price, has been removed.

However, the SEC has said

that the US marketing syndicate, which was seeking buyers for the new shares in Zeneca, the bio-chemical group demerged from Imperial Chemical Industries this month, had to stop operations as of last night.

The syndicate was satisfying demand for shares by buying ill-paid Zeneca shares in the UK market. The syndicate can still operate outside the US. Zeneca's brokers declined to comment on how successful the US syndicate had been.

News of the SEC's change of heart came after the market closed with Zeneca's shares up 1p to 617p, and the ill-paid down 1p to 17p. The rights issue is priced at 600p.

Zeneca yesterday announced

the US Food and Drug Administration had approved Zestril for the treatment of congestive heart failure.

The licence is for those patients not responding adequately to diuretics or digoxin, a medicine extracted from foxgloves.

There are between 2.3m and 3m sufferers from the disease in the US, according to the American Heart Association. Both Merck's Vasotec and Bristol-Myers Squibb's Capoten have already received licences for this indication.

Sales of products based on Zestril were up 31 per cent to £294m last year. The company said growth continued in the first quarter of this year.

## Discounts on BT sell-off cut back

By Roland Rudd

THE GOVERNMENT has scaled back incentives for retail investors in the sale of its remaining 21.9 per cent stake in BT.

The public is being offered 10p off the first and second instalments set at 150p and 140p respectively. This compares with 15p off the first two payments in the last government sale of BT shares which were set at 120p and 105p.

SG Warburg, the government's global co-ordinator, said the incentives were less generous to reflect the fall in interest rates since 1991.

Mr Stephen Dorrell, financial secretary to the Treasury, said one of the aims of the offer was to "demystify share dealing" through the use of share shops.

More than 1.8m people have registered for the sale, taking the total, including BT employees and existing shareholders, to more than 4m. However, a number of the 150 share shops have expressed concern that the government is promoting its own share information office at the expense of share shops.

Mr Dorrell said: "Everyone tends to want to see things better than they are... but the share shops have understated the scale of their own success."

The Treasury has underlined its commitment to competition within the institutional offer in a letter to the top 500 institutions around the world. They have been told that the allocation of new BT shares will not be affected by which global manager, including Warburg, through which they choose to deal. The same rule applies to regional managers dealing with all other institutions not on the top 500 list.

In previous privatisations institutions have suffered in allocations if they did not deal through the bookmaker.

The first instalment in the international offer, which will be more than the 150p sought from retail investors, will be announced on June 29. The second and third instalments will be the same for all investors, with the last being determined by the price big investors tender in the international offer.

The minimum application for retail investors will be 100 shares. The incentives are on allocations of up to 1,000 shares or 1.50p if investors opt for the 1-for-15 share bonus after three years.

## FKI acquisition

FKI is buying the Forge France Group of companies, a French lifting components company, for FF29m cash (£3.5m). FKI has also agreed to purchase further inventories over the period up to May 1994 at valuation following a stock take.

## Close call as discontent grows

Maggie Urry reports as voting time nears on Heron's debt plan

CREDITORS of Heron, Mr Gerald Ronson's property group, have little time left to consider the proposals for restructuring its £1.4bn of debt.

On the face of it, they have a simple choice. Vote in favour of a plan to repay creditors out of asset disposals over several years or see the company go into liquidation. The latter alternative, the 220-page document from the company says, would give creditors significantly less and at a later date.

Yet as the deadline approaches - meetings start in London on June 28 but some proxies and claims had to be in by yesterday - there seems to be a rising tide of discontent among some creditors.

Yesterday's First Eastern Developments, a Bermuda based property consulting company, gave details of its concerns, first revealed in an advertisement in the Financial Times last Friday which called on creditors to join together to consider opposing the scheme.

FED is a private group headed by Mr Simon Shane. He ran a UK property group called Equitable Debenture and Assets Corporation, which was

sold to British Land in 1985 for £20m. FED claims to be owed £1.7m by Heron, and is an affiliate of Stratagem Development Corporation which is suing Heron in New York.

Mr Shane asserts that creditors do not have enough information to make an informed decision and suggests more information would be forthcoming if the schemes were rejected. He would like to see an up-to-date property valuation, trading results for the year to March 1993, and detailed cashflow projections.

He suspects that there have been intra-group transactions since the last published accounts, for the year to end March 1992, which might have given banks an edge over other creditors.

Even creditors intending to vote in favour of the proposals complain of a lack of information, such as trading results and property valuations, but as one put it, "to some extent you have to believe what Heron and its advisers tell you because it is so complex."

Mr Shane's criticisms follow those of Mr Gary Klesch, a

bond dealer who claims to speak for 10 per cent of the bondholders and has also called for rejection of the proposals.

Much has also been made of letters written in mid-May to bondholders by the lead managers to the Swiss franc bond issues. They sent bondholders the Heron document with a covering letter in mid-May. The letter - which put forward the main pros and cons of the deal - drew letters from Mr Ronson to the chairmen of the banks who felt that the banks had been less than fair.

SG Warburg Securities, one of the lead managers, said yesterday that the letters were neutral. "We are in a situation where we should not give advice, submitting an offer on behalf of Heron. It always remains to the investor to make the decision."

However, others note that a letter from Deutsche Bank, which led a D-Mark bond issue, to its bondholders was "more neutral".

Heron's advisers say that rejection of the schemes would almost inevitably lead swiftly to bankruptcy proceedings. Mr Shane and Mr Klesch think

this could be as good, or even better, for creditors. Mr Shane says "insolvency proceedings would ensure administration directed at maximising value for all creditors with freedom from conflicts of interest."

But Heron's advisers say that liquidation would be an extremely complex affair, likely to ignite a volcano of litigation as different classes of creditors fight for their rights.

The problem lies in Heron's complex structure. While the head office division has debt, including all the bonds, of £394m, it has assets of only £28m. The UK property division, by contrast, has assets of £465m and debts of £298m. The Spanish part has debt of £90m and assets of £228m.

Liquidation, judging by other recent large cases such as BCCI, could also be a costly process, on top of the £50m Heron has already sunk in restructuring fees. The schemes need to be approved by 75 per cent of votes cast by value, and by 50 per cent by number of voters. It is looking a closer call than can be comfortable for Heron.

## BET pins hopes on final phase of three-year turnaround plan

By Richard Gourlay

"TURNING business service companies around is like pushing peas up a hill with your nose," said one analyst yesterday after BET reported further provisions, a reduced final dividend and more pre-tax losses for the year to end-March. "It is going to be slow."

Mr John Clark, chief executive, appears to agree. He is banking on the third year of his three-year turnaround programme to generate greater profitability from a business that he says will shrink further to about £1.5bn of sales.

According to Mr Clark there is nothing wrong with the markets. The UK business services market is currently worth £40bn and will grow to £50bn by the end of the century. Comparable figures for the US are \$900bn and \$1,200bn.

The problem is that BET is getting no help from the UK economy, which if no longer deteriorating is not improving at any great rate. "We are seeing much higher utilisation

and higher rates [in plant hire]," says Mr Clark. That is the most optimistic he can be about any of his business areas.

The question Mr Clark will have to answer for the markets over the next year is whether there are enough businesses left to allow BET to resume growth.

Last year's divisional figures make sober reading.

The textiles division contributed 24 per cent of trading profits from continuing operations. But sales fell 25 per cent, partly because of deconsolidation of the French business, but also because of lower margins in the UK. There was also a £18m restructuring cost.

As a result textiles - which employs 55,000 of the 100,000 people in the group - accounted for £25m, or 47 per cent of the reduction in trading profit.

The UK accounted for nearly two thirds of textile services. BET described this market as facing "particularly challenging conditions... in the tel-

sure, retail, hotel and heavy industrial sectors".

Cleaning services produced 15 per cent of profits from continuing operations, but this was sharply lower after "severe pressure" on margins, particularly in new business.

Security services made almost unchanged trading profits - about 14 per cent of group profits - but the division suffered from a decline in military spending. In the UK, where three quarters of the division's sales were generated, the electronic security businesses continued to make good progress, BET said.

Plant services saw sales fall slightly, but pressure on margins again hit trading profits, which fell 18 per cent and were responsible for 11 per cent of the total decrease in group trading profit. Distribution and plant services were also down.

Catering and facilities management, both start-up businesses, showed rapid growth in sales and profits and may hold one of the keys to future growth, according to analysts.

## Chillington improves to £955,000

Reduced losses in manufacturing and increased profits in tools and trading enabled Chillington Corporation to report pre-tax profits of £955,000 for 1992, against £948,000.

The company has returned to the dividend list with a proposed final of 0.25p. Last year only the interim of 0.5p was paid.

However a provision of £1.27m against possible losses from the closure of the property and investment division left retained losses of £1.28m (£777,000).

Turnover for the company, which also has interests in plantations, was £44.4m (£48.6m). Losses per share came out at 0.2p, compared with 2.4p.

## Alpine directors seek to allay pension fears

By Peggy Hollinger and Catherine Milton

DIRECTORS OF Alpine (Double Glazing), the window company which ceased trading at the end of May, are seeking to allay fears over pension contributions by inviting employees to discuss individual options with a representative of Allied Dunbar, the assurance group.

In a letter received by pension contributors this weekend but dated June 9, Mr Robert Pollock and Mr Robin Speirs, chairman and chief executive of Alpine, said a meeting would be held yesterday. However, they failed to include either the time or place for the meeting.

The letter also states that "the Allied Dunbar representative has been in discus-

sions with members". It is understood, however, that formal talks with Allied Dunbar broke down several months ago.

"The company has never implemented proposals presented by us some months ago," Allied said.

Mr Pollock and Mr Speirs inform pension contributors that following Alpine's trading difficulties, contributions had been transferred from a "separate trust bank account" to a client account at the company's solicitors, believed to be London firm, Beveridge Ross and Prewsters. The funds would be held pending a decision as to how contributors wished to proceed, the letter states. About £50,000 is in the client account, according to Mr Grant Jones, Alpine's receiver.

The funds had initially been held in a trust account, Mr Pollock and Mr Speirs state in their capacity as trustees, pending resolution of a dispute with ADT Trustees.

Trustees of the pension fund at ADT, the security and car auctions company which previously owned Alpine, had refused to transfer funds in 1992 following Alpine's purchase out of administration with the backing of Mr Clive Smith, the Midlands entrepreneur.

ADT trustees said Alpine had never presented an approved pension plan to which funds could be transferred.

Deferred pensions or individual transfers have since been arranged for eligible Alpine employees.

## BOARD MEETINGS

The following companies have called dates of board meetings in the last 24 hours. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's structures.

## TODAY

Interim: Ode Brothers, David Lloyd Leisure, London & Olympia.

Final: Bradford Property Trust, Oxford High, PFI, WFF International, Murells, Murells Street Investments, Porter Chubb, Voca, Welham, Westcott Wilson.

## FUTURE DATES

Interim: 28 June, 29 June, 30 June, 1 July, 2 July, 3 July, 4 July, 5 July, 6 July, 7 July, 8 July, 9 July, 10 July, 11 July, 12 July, 13 July, 14 July, 15 July, 16 July, 17 July, 18 July, 19 July, 20 July, 21 July, 22 July, 23 July, 24 July, 25 July, 26 July, 27 July, 28 July, 29 July, 30 July, 31 July, 1 August, 2 August, 3 August, 4 August, 5 August, 6 August, 7 August, 8 August, 9 August, 10 August, 11 August, 12 August, 13 August, 14 August, 15 August, 16 August, 17 August, 18 August, 19 August, 20 August, 21 August, 22 August, 23 August, 24 August, 25 August, 26 August, 27 August, 28 August, 29 August, 30 August, 31 August, 1 September, 2 September, 3 September, 4 September, 5 September, 6 September, 7 September, 8 September, 9 September, 10 September, 11 September, 12 September, 13 September, 14 September, 15 September, 16 September, 17 September, 18 September, 19 September, 20 September, 21 September, 22 September, 23 September, 24 September, 25 September, 26 September, 27 September, 28 September, 29 September, 30 September, 1 October, 2 October, 3 October, 4 October, 5 October, 6 October, 7 October, 8 October, 9 October, 10 October, 11 October, 12 October, 13 October, 14 October, 15 October, 16 October, 17 October, 18 October, 19 October, 20 October, 21 October, 22 October, 23 October, 24 October, 25 October, 26 October, 27 October, 28 October, 29 October, 30 October, 31 October, 1 November, 2 November, 3 November, 4 November, 5 November, 6 November, 7 November, 8 November, 9 November, 10 November, 11 November, 12 November, 13 November, 14 November, 15 November, 16 November, 17 November, 18 November, 19 November, 20 November, 21 November, 22 November, 23 November, 24 November, 25 November, 26 November, 27 November, 28 November, 29 November, 30 November, 1 December, 2 December, 3 December, 4 December, 5 December, 6 December, 7 December, 8 December, 9 December, 10 December, 11 December, 12 December, 13 December, 14 December, 15 December, 16 December, 17 December, 18 December, 19 December, 20 December, 21 December, 22 December, 23 December, 24 December, 25 December, 26 December, 27 December, 28 December, 29 December, 30 December, 31 December.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
BET	1.25	Aug 26	2.25	3.25	6.5
Beverley	nil	nil	nil	0.025	0.025
Chillington	0.25	July 30	nil	0.25	0.5
E Midlands Elec	13.78	Oct 4	12	19.5	17.1
High Grafton Plc	nil	nil	15	15	15
Investment Co	1	Aug 18	1	1.5	1.375
Kanwood Appa	4.35	Aug 27	1	5.35	-
M&W	1.1	Aug 20	2	2.5	-
Renovo Oil S	1.5	July 15	1	4.75	-
Stratagem	1.5	Oct 8	1	-	3.8
Trealt S	1.1	Oct 8	1	-	-

Dividends shown pence per share net except where otherwise stated. \$USM stock.

## NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 1 PLC  
Class A-1 Mortgage Backed Floating Rate Notes Due March 2020

NOTICE IS HEREBY GIVEN to Bankers Trust Company Limited (the "Trustee") and to the holders of the Class A-1 Mortgage Backed Floating Rate Notes Due March 2020 (the "Class A-1 Notes") of Mortgage Funding Corporation No. 1 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st March, 1989 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st March, 1989 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class A-1 Notes, Available Capital Funds due in the Redemption Date in the amount of £2,000,000 will be utilised on 30th June, 1993 (the "Redemption Date") to redeem in full the amount of Class A-1 Notes. The Class A-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

## OUTSTANDING CLASS A-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes							
165	183	331	248	330	355	711	715
727	742	757	782	809	818	868	885
943	986	1058	1124	1129	1218	1300	1329
1471	1488	1678					1367

The Class A-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York  
PO Box 161, 60 Victoria Embankment  
London EC4Y 0JP

Union de Banques Suisses (Luxembourg) S.A.  
36-38 Grand-rue  
L-2011 Luxembourg

In respect of Bearer Class A-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unremitted coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class A-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 1 PLC  
By: Morgan Guaranty Trust Company  
as Principal Paying Agent  
Dated: 15th June, 1993

Withholding of 31% of gross redemption proceeds of any payment made within the United States is required by the Internal Revenue Code of 1986 and amended by the Energy Policy Act of 1992 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class A-1 Notes to the paying agency's New York Office.

## NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 3 PLC  
Class C-1 Mortgage Backed Floating Rate Notes Due October 2023

NOTICE IS HEREBY GIVEN to Bankers Trust Company Limited (the "Trustee") and to the holders of the Class C-1 Mortgage Backed Floating Rate Notes Due October 2023 (the "Class C-1 Notes") of Mortgage Funding Corporation No. 3 PLC (the "Issuer") that, pursuant to the Trust Deed dated 21st October, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 21st October, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class C-1 Notes, Class C-1 Notes in the amount of £2,000,000 will be redeemed on 1st July, 1993 (the "Redemption Date"). The Class C-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

## OUTSTANDING CLASS C-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes							
190	199	203	218	238	240	258	375
404	415	422	428	451	462	477	492
504	575	592	606	639	683	694	698
717	724	735	742	759	771	772	794
834	861	878	879	881	896	898	913
927	929	934	1035	1040	1059	1060	913
1124	1130	1145	1155	1189	1198		1165

The Class C-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York  
PO Box 161, 60 Victoria Embankment  
London EC4Y 0JP

Union de Banques Suisses (Luxembourg) S.A.  
36-38 Grand-rue  
L-2011 Luxembourg

In respect of Bearer Class C-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unremitted coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class C-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 3 PLC  
By: Morgan Guaranty Trust Company  
as Principal Paying Agent  
Dated: 15th June, 1993

Withholding of 31% of gross redemption proceeds of any payment made within the United States is required by the Internal Revenue Code of 1986 and amended by the Energy Policy Act of 1992 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class C-1 Notes to the paying agency's New York Office.

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## FT SURVEYS



## COMPANY NEWS: UK

# Second half recovery helps Kenwood rise 4%

By Angus Foster

KENWOOD APPLIANCES, the household appliance company, yesterday reported slightly higher than expected profits for the year to March 31, the first since the company came to the stock market last July.

Pro forma pre-tax profits, adjusted for the benefits of the flotation, increased 4 per cent from £9.29m to £9.62m. Actual profits, taking into account interest costs of £1.84m, were £8.39m.

After a poor summer, which led to an embarrassing profit warning three months after going public, second half profits recovered strongly helped by sterling's devaluation.

Mr Tim Parker, chief executive, said the UK economy also improved, as had Kenwood's share of overseas markets. "I think all of that's pretty encouraging," he said.

He said sales to continental Europe, which account for about a third of the total,

should continue to improve despite mounting recession in Germany and France. Kenwood hoped growth would come from new products, helped by sterling's competitiveness.

Turnover increased 10 per cent to £101.6m, lifted by UK sales of new products like kettles and hair dryers. However, another new product, a water filter, performed poorly despite heavy marketing costs.

One-off costs linked to the flotation and the acquisition in November of Tricom, the Hong Kong-based manufacturer, depressed operating margins slightly. Operating profits increased 7.8 per cent to £10.3m.

Kenwood used the £39.5m raised by the flotation to reduce debts and the company moved to net cash of £146,000 by the year end. Earnings were depressed by a higher tax charge and fell 6 per cent to 17.3p per share. A recommended final dividend of 4.35p makes a total of 5.85p.

## COMMENT

The stock market's nerve was strongly tested at the time of the profits warning, but those with strong stomachs have been rewarded and the shares closed yesterday up 10p at a record 321p. Forecast profits this year of £11m put the shares on a multiple approaching 16, already a premium to the market.

Kenwood is a quality company with promising new products coming through. The Hong Kong acquisition should allow more manufacturing to be brought in-house, thereby improving margins - although plans to attack the Chinese market should be treated with circumspection.

The currency factor should give comfort if a European price war develops later this year. Despite the attractions, Kenwood's short exposure on the public stage suggests investors may prefer to wait for a longer track record before chasing the shares any higher.

# Fisons launches asthma drug in US

By Paul Abrahams

FISONS, the healthcare and scientific instruments group, yesterday began marketing Tilade, an asthma treatment, in the US.

"This is Fisons' last throw of the dice to remain a viable pharmaceutical entity," said Mr Paul Woodhouse, drugs analyst at Smith New Court. "They have to make this launch work." Fisons's shares closed up 6p at 161½p.

The company is co-promoting the product with Rhône-Poulenc Rorer and is marketing Tilade with a combined sales force of 800 people.

The groups aim to position the product for those with mild asthma who use a bronchodilator, such as Ventolin, more than three times a week. Whereas bronchodilators help improve symptoms, Tilade is designed to treat the underlying inflammation.

Fisons is co-promoting Azmacort, RPR's inhaled steroid medicine, which is designed for patients using bronchodilators more than three times a day.

US doctors have been reluctant to prescribe inhaled steroids because of potential side-effects.

"The group has a window of opportunity to establish this drug before safer second-generation inhaled steroids come on the market," says Mr Woodhouse.

Tilade was approved by the Food and Drug Administration in January, but the company waited for the results of a further clinical trial to show the medicine was more effective than Intal, its other asthma treatment. Intal's sales last year were £190m. Tilade's were £26.1m.

## First Philippine

Net assets of First Philippine Investment Trust at May 31 were £8.41p per share. Net revenue for the six months to April 30 was £87,571 (£52,540). Earnings were 0.14p (0.11p).

# \$65m spent on building products and automotive components group Heywood Williams expands in US

By Paul Taylor

HEYWOOD WILLIAMS, the building materials group which sold a large part of its UK glass business to Pilkington earlier this year for £56m, plans to use some of the proceeds to acquire a specialist building products group in the US.

The Huddersfield-based group is paying \$63.25m (£35m) in cash to acquire LaSalle, a US-based distributor of building products and furnishings to the manufactured housing and recreational vehicle markets.

Heywood will also repay up to \$11.75m of LaSalle's borrowings on completion.

Mr Ralph Hinchliffe, Heywood's chairman, said the acquisition, which is subject to shareholders' approval at an extraordinary meeting on June 30, represents "an exciting development for the group".

He added: "The company has an impressive management team, is performing extremely well and operates in markets which should show strong long-term growth."

Last year LaSalle reported operating profits of \$5.4m, almost double the \$3.3m recorded the previous year, on turnover ahead to \$117.7m (\$98.4m).

Three quarters of its business comes from supplying the fast-growing US market

for factory-built housing. Manufactured housing sales represented about 15 per cent of the overall US housing market last year when 210,000 units worth \$5.7m were sold, a 20 per cent increase over the previous year.

The US recreational vehicle industry also grew by more than 20 per cent in volume terms and was worth an estimated \$4.4bn last year.

The planned acquisition will substantially strengthen Heywood's presence in the US providing its existing Creation Windows subsidiary with a nationwide distribution network.

Creation Windows and LaSalle will have a combined

annual turnover of more than \$200m across a broad range of building and automotive markets.

The acquisition was fore-shadowed in March when Heywood sold its UK and Irish glass processing and distribution business to Pilkington.

At the time Mr Hinchliffe said that after paying off debts, the net cash of about \$65m would be used to fund acquisitions and expand its remaining businesses.

The deal will leave Heywood with about £25m in cash. Mr Hinchliffe said he expected it would be spent on another acquisition, probably in the UK, by the end of the year.

# Ramco slides to £349,000

By Deborah Hargreaves

RAMCO OIL Services saw its pre-tax profits fall to £349,000 in 1992, against £526,000 the year before, when the outcome was boosted by exceptional credits.

At the same time, the company announced it was extending its participation in Azerbaijan to two additional oilfields in conjunction with Pennzoil, the US energy group.

Ramco's turnover increased from £4.11m to £5.43m, reflecting the first full year's results for Ramco Pipeline Services and the impact of over-

seas contracts in Japan and Norway.

The company's Russian joint venture - Ramco Almas - which produces electric submersible pumps for the oil industry, made a profit of £272,000 - of which Ramco received £136,000.

Last year the venture sold and installed Almas pumps in North America, Germany, Russia, North Africa and the Middle East.

In addition, Ramco extended its interests in the former Soviet Union through its participation with Pennzoil in the 1.4bn barrel Gumashli field in

the Azerbaijan sector of the Caspian Sea. The company announced yesterday it would be extending this partnership to the Azeri and Chirag fields.

Ramco has also begun work on a new oil and gas development in the Tyumen region of western Siberia in a joint venture with a group of US investors.

The company said its work in Azerbaijan had placed it in a unique position for a company of its size.

Earnings per share dipped to 1.88p, against 2.33p, and the company declared a dividend of 1p - down from 2p.

# 92% take up for Saatchi rights

By Gary Mead, Marketing Correspondent

SAATCHI AND Saatchi's £73m rights issue was 92 per cent taken up. Directors were "pleasantly surprised" at the relatively high take-up, particularly since more than half of the group's shares are held outside the UK.

The group plans to use £36.5m of the proceeds to reduce bank debt; £19m will go towards acquiring minority interests in European advertising subsidiaries; £10.5m will be used to strengthen the increasingly important media buying businesses; and £7m will be used to invest in new information technology.

The issue was fully underwritten by SG Warburg and UBS. The largest institutional investor is the State of Wisconsin Investment Board, with 8.99 per cent prior to the issue. Saatchi shares dipped 1p to 165p yesterday.

British Airways announced yesterday that 92 per cent of its 1-for-4 rights issue was taken up by shareholders at 245p a share. The balance was placed by the underwriters at a net premium of 45.418p a share. BA shares closed last night up 2p at 234p.

# Frontera helps IBC Vehicles return to black with £5.2m

By Kevin Done, Motor Industry Correspondent

IBC VEHICLES, the UK-based 60/40 joint venture between General Motors and Isuzu, staged a strong recovery in 1992 with pre-tax profits of £5.2m against losses of £28m in the previous year.

The company, formed in the late 1980s from the former loss-making Bedford van operations in Luton, more than tripled turnover to £426m, compared with £137m.

Production was more than doubled to 48,452 (20,932) vehicles as a result of the successful build-up of output of the Opel/Vauxhall Frontera four wheel drive leisure utility vehicle.

The ranges produced by IBC are based on Japanese technology from Isuzu and Suzuki. GM holds minority equity stakes in both companies.

GM has, however, decided to halt production of the Suzuki-derived range of microvans at IBC from the end of June following a collapse in demand.

Production of the small vans has plunged from 21,500 in 1989 to 5,652 last year, and output has been cut to only 1,790 in the first half of this year. Vauxhall sales of the Rascal van in the UK dropped last year to only 2,478 from 8,274 in 1990.

The market for Japanese-designed microvans has shrunk dramatically, and GM is hoping that it can meet residual demand through the forthcoming launch of its new Corsa high-roof van.

As the Rascal is withdrawn other competition is coming into the market, however, with the launch by Daihatsu of its Italian-built Hijet microvan, which is being assembled at a joint venture plant at Ponted-

era, Tuscany with Piaggio of Italy.

GM is planning to keep the Midi panel van in production at IBC at least until 1996-97, but it is in negotiations with other vanmakers in Europe about collaboration on a new vehicle range to replace the ageing Midi in the second half of the 1990s.

The future of the IBC operation is now tied closely to the production of four wheel drive leisure utility vehicles; output of the Frontera is planned to increase from 31,436 last year to 42-45,000 in 1993.

The company has reached agreement with trade unions for the introduction of a third shift at the plant, if this can be justified by higher demand for the four wheel drive vehicles, which have succeeded so far in defying the steep fall in demand for new cars in western Europe.

## LEGAL NOTICES

### HERON INTERNATIONAL N.V. (HINV) RESTRUCTURING PROPOSALS

We are creditors of HINV. HINV's Restructuring Proposals do not include such information as a detailed valuation, financial statements for periods after March 1992, a cash flow forecast or Business Plans for all businesses. Information about each Bank's outstanding debt, collateral and the Banks' relative rate of recovery is also not disclosed. The absence of such information makes it difficult for creditors to evaluate the proposal.

If you are a creditor of HINV and wish to participate with others in considering opposing the Scheme now proposed, we would be interested in an exchange of views leading to possible cooperation. In such event please contact our solicitors who are:-

Richards Butler  
Beaufort House  
15 St. Botolph Street  
London EC3A 7BE  
England  
Tel: 071 247 6555  
Fax: 071 247 5091  
Ref: DGW

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12 hour period	Pool price	Pool price	Pool price
0930	14.04	10.70	10.70
1000	10.00	10.72	10.72
1030	10.00	24.40	24.40
1100	10.00	24.40	24.40
1130	10.00	24.40	24.40
1200	10.00	24.40	24.40
1230	10.00	24.40	24.40
1300	10.00	24.40	24.40
1330	10.00	24.40	24.40
1400	10.00	24.40	24.40
1430	10.00	24.40	24.40
1500	10.00	24.40	24.40
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1600	10.00	24.40	24.40
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2100	10.00	24.40	24.40
2130	10.00	24.40	24.40
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## MONTEDISON

### Notice of a General Meeting of shareholders

Shareholders of Montedison S.p.A. are hereby convened to attend an Ordinary General Meeting of shareholders, to be held at Foro Buonaparte 31, Milan on June 28, 1993 at 10.30 A.M. (first call) and, if needed, on June 29, 1993 (second call), same time and place, in order to discuss and vote upon the following items on the agenda:

1. Reports by the Board of Directors and Statutory Auditors.
2. Accounts for the financial year 1992 and related resolutions, including the total coverage of the 404 billion Lire loss through utilization of reserves.
3. Election of the Board of Directors and determination of the number of its members.

At the General Meeting, moreover, the consolidated Financial Statements of December 31, 1992 will be presented. Shareholders are entitled to attend the General Meeting if, at least five days prior to the General Meeting (excluding from the computation the day of the Meeting), they have deposited their share certificates at the Company's registered office or at one of the following financial institutions:

**In Italy:**  
Monte Titoli S.p.A. (for certificates deposited with the same), Credito Italiano, Banca Commerciale Italiana, Banca di Roma, Banca Nazionale del Lavoro, Banco di Napoli, Istituto Bancario San Paolo di Torino, Monte dei Paschi di Siena, Banco Ambrosiano Veneto, Banca Mercantile Italiana, Banca Nazionale dell'Agricoltura, Banca Popolare di Bergamo - Credito Varesino, Banca Popolare di Milano, Banca Popolare di Novara, Banco Lariano, Cassa di Risparmio delle Provincie Lombarde, Credito Commerciale, Credito Romagnolo.

**Abroad (by appointment of Italian banks according to the law):**

**In Switzerland:**  
Société de Banque Suisse - Basel and Zurich, Credit Suisse - Zurich, Union de Banques Suisses - Zurich.  
Banca dello Svizzera Italiana - Lugano.

**In France:**  
Banque Nationale de Paris - Paris.

**In Great Britain:**  
Morgan Guaranty Trust Co. - London.

**In Belgium:**  
Banque Bruxelles Lambert - Bruxelles.

**In Germany:**  
Deutsche Bank - Dresdner Bank - Frankfurt a/Main.

**In the Netherlands:**  
ABN-AMRO N.V. - Amsterdam and Rotterdam.

**In the U.S.A.:**  
Bank of New York - New York.

On behalf of the Board of Directors  
Arturo Ferruzzi  
Chairman

The company's financial statements to be approved at the meeting are available, upon request, from the following locations:

- MONTEDISON S.p.A., Foro Buonaparte 31, 20121 Milan, Italy  
Att. Mr. G.C. Scaramelli (tel. 2.6270.5061)
- MONTEDISON USA INC., 1114 Avenue of Americas, New York, N.Y. 10036 (U.S.A.)  
Att. Mrs. B. Alessio (tel. 212.997.7000).

### Procedure to be followed by foreign shareholders:

- (A) Shareholders wishing to attend must request in writing or by telex that the bank where their shares are deposited issue an admission ticket, if that bank is one of Montedison's above-listed depositary banks; if the bank where their shares are deposited is not one of Montedison's depositary banks, they must request that bank to contact one of the depositary banks so that an admission ticket can be issued. All admission tickets must be issued at least five days before the General Meeting.
- (B) Shareholders wishing to vote by proxy may appoint a proxy only after depositing their shares and receiving the admission ticket in accordance with the procedures described in (A), above. Proxies are to be in writing and cannot be issued to banks, members of the Board of Directors, Statutory Auditors and employees of Montedison and its subsidiaries.

Please Note: Shareholders may contact the foreign branches of the above-listed Italian depositary banks to expedite these procedures.

Montedison S.p.A. - Registered Office in Milan at Foro Buonaparte, 31  
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## GREECE

The FT proposes to publish this survey on July 8 1993.

Greece's complex internal and external problems will be analysed in depth in a broad-ranging and comprehensive survey to be published by the Financial Times.

For a copy of the editorial synopsis and advertisement rates, contact:

Alec Kilroe in Athens  
Tel: (1) 671 3815 Fax: (1) 647 9372  
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## FT SURVEYS







# RETAIL CHAIN MANAGEMENT

Tuesday June 15 1993

A new price-sensitive and more sophisticated consumer is emerging in the 1990s, writes Neil Buckley. Faced also with increased competition from new shopping formats, retailers are investing in sophisticated new distribution and sales analysis systems

## Customers call the tune

RETAILING might be the world's second-oldest profession, but it has become a sophisticated business. As John Beaumont, chief executive of the UK's Institute of Grocery Distribution, puts it: "For the retailer, the business is no longer about selling what you buy, but about buying what you sell."

The days are gone when retailers did the best deals they could with manufacturers, and then hoped customers would buy what they had to offer. The wide choice of products now available - with too much floor space chasing too little business in many markets - means customers call the tune. If they cannot get what they want at the price they want, accompanied by the level of service they require, in one shop, they will take their business somewhere else.

Customer-led retailing is one of the trends underpinning the way the sector operates. But there is another important factor: many UK retailers believe a new price sensitivity and sophistication among consumers will make the 1990s a very different decade from the high-spending 1980s.

The increase in consumer awareness is said to result from the longest and deepest recession experienced in Britain and much of the rest of Europe since the second world war and has left some deep scars on consumers, now more cautious and thrifty about what they buy and where they buy it. And the more cautious consumer is expected to survive the recession.

Many retailers believe the pattern of shopping in Britain over Christmas and New Year is evidence of this.

Shoppers last year left gift buying to the last possible moment, hoping for dramatic price reductions. Then in January they descended on the sales in droves to make other purchases that they had delayed for months previous in the pursuit of bargains.

All this is bad news for retailers. The recession has made recent years' trading tough enough.

And a whole cadre of UK chains, including Asda, Burton, Storehouse, Next and Laura Ashley, have additional problems of their own, brought about by over-expansion, over-borrowing or other strategic mistakes during the consumer boom of the late 1980s.

Even though these chains are now turning the corner, and the UK economy is showing the first, faltering signs of recovery, the outlook for retailers is tougher than they may have hoped.

"My view is the high margins that UK retailers have secured in the past are not sustainable," says Jim Hodgkinson, international development director at Kingfisher, one of the UK's largest retailing groups.

"The consumer still wants the choice, the range and the service, but at the same time he wants to know when he goes into a store that he is going to get a good price. He wants to shop with confidence."

Moreover, the new price consciousness among consumers has coincided with, and will be sharpened by, the rapid growth of the discount retailers.

Discounters aim to cut costs down to the bone, often by selling limited product ranges from no-frills stores in secondary locations, and limiting their investments in technology to the bare essentials. They compete by keeping margins and prices as low as possible and make their money by shifting large volumes of goods.

New discount formats from the US are now being imported into Europe, and Mr Hodgkinson believes they will threaten not just UK retailers' margins, but even the lower margins common across continental Europe.

Europe has already witnessed a massive growth in discount food retailing, with chains such as Germany's Aldi, Denmark's Netto and France's

Ed all successfully expanding outside their home markets.

But, as a recent report by Verdict, the UK retail market research company predicts, discounting is likely to be a main force not just in the food sector but in other retail sectors such as clothing, electricals and the variety stores.

Hypermarkets, selling a wide range of goods at very low prices, are already well-established throughout France and are spreading into other markets such as Spain.

But they will soon be joined by the new arrivals from the US, which include warehouse clubs selling between 3,000 and 4,000 lines from baked beans to car tyres in no-frills environments from enormous sheds.

Then there are factory outlet complexes, which group together stores selling manufacturers' excess production and end-of-season products at discount prices. Another group is the so-called "category killers", efficient specialist retailers, selling from edge-of-town superstores. Category killers aim to kill off the competition in their particular product sector by offering greater choice and low prices.

Price competition with other formats poses a significant management challenge to the large established retailers. If they are to continue to offer the advantages of choice, quality, convenience, and a more amenable shopping environment, while remaining competitive on price, they must achieve the maximum efficiency at every point along the supply chain, and squeeze the most out of their substantial investments in technology.

Many large chains have already set up centralised distribution networks, where manufacturers deliver goods to regional warehouses rather than to individual stores. Final distribution is carried out by the retailer or a third party contractor. Retailers who have not taken this route will likely follow suit to enhance their competitive edge.

Most large chains are now using scanning technology at the check-out. And many link this system to computer systems which automatically re-order goods as they are sold.

But it is finding other ways of exploiting to the full the potential of that sales information that will be key to success.

One important application of the information is in direct product profitability analysis - calculating the contribution to profitability of each product in a store, taking into account transport and storage costs and other overheads connected with that product.

The idea of DPP is to optimise the return on each product by determining its space allocation according to its profitability.

Most retailers use DPP analysis in some way, but it is already being replaced as the buzzword for the 1990s by "category management".

This involves dividing a store's products into different categories (a large grocery superstore may have 400 or more categories) and managing each of those categories like small businesses.

DPP, market research and other information is then used to decide the correct mix of brands - and what shelf space to allot to each brand - on a store-by-store basis. This process is said to maximise the profitability of the overall category and at the same time meet customers' demands.

As Safeway, one UK grocery chain which is introducing category management, puts it: "The most important objective is to focus on customers at the store level, which will yield improved financial results."

A vital ingredient in category management is the sharing of information between manufacturers and retailers - something which may alter the relationship between the two during the 1990s.

But many manufacturers are still reluctant to give away too many of their secrets to what

they perceive as the "other side".

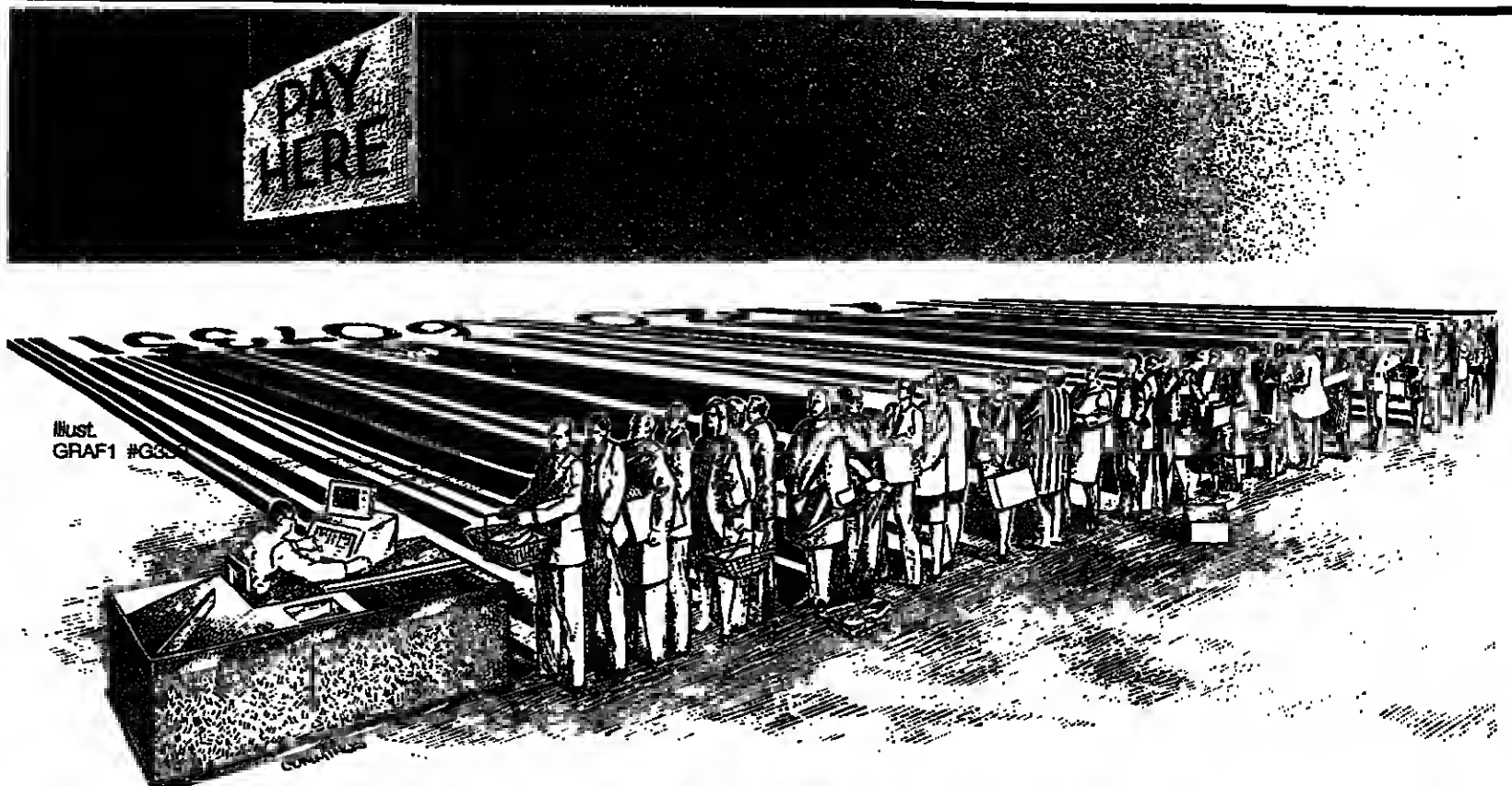
But getting the most out of category management means that the two must work together, because the manufacturers still know more about their category than the retailers do, and retailers know more about their stores and customers.

Another major challenge for retailers, as their home markets become increasingly competitive and approach saturation, will be to find new opportunities, either through diversification, or by exporting their format into a new market.

Despite the difficulties, the pace of cross-border expansion and the formation of international retailing alliances is quickening.

Corporate Intelligence Group, the market researchers, says it has identified more than 60 US retailers which are planning to expand into Europe, and the movement is unlikely to be all one-way.

Large European retailers, meanwhile, are spending increasing amounts of time investigating other European markets. The 1990s may be the decade when retailing becomes a truly international business.



Waiting game: bar codes may soon mean unmanned check-outs where customers pass their purchases through a scanner and insert payment cards in a machine

Illustration: Joe Cummings

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## RETAIL CHAIN MANAGEMENT 2

John Kavanagh looks at the latest information technology available to supermarkets

## On the way to unmanned check-outs

CUSTOMERS passing through a check-out at most big supermarkets spark off a chain of stock-taking, ordering, invoicing and payment activities in which they and the check-out operator are the only human elements. Many retail industry specialists believe that in the next decade the human element could be reduced to the customer. Ultimately even their physical involvement could be eliminated.

Computer technology and the trading information it provides have helped make some of the most advanced users - Marks and Spencer, J Sainsbury, Tesco and Sainsbury - the top four retailers in terms of operating profit per square foot of shop floor space.

Tesco, for example, captures data about sales of individual items as those sales are made. Scanners at check-outs and other sales points record the data from bar codes. Overnight a central computer telephones each store computer to collect the day's data. This brings stock files up to date and computer programs then decide whether new orders are needed. Programs also work out the deliveries needed the next day by each store.

All the leading chains now use electronic data interchange (EDI): the exchange of business documents such as orders and invoices over telecommunications lines between computers.

Tesco, an EDI pioneer, now trades electronically with more than 1,200 companies of all sizes, representing more than 95 per cent of products on its shelves. Half these suppliers send their invoices to Tesco by

EDI. Tesco has also used EDI to forge close business relationships with a quarter of them, sending 13-week sales forecasts to help them schedule production and reduce stocks - thus keeping their own costs and prices down.

The benefits over the past six years have been so great that Tesco no longer measures them against the costs.

"We've reduced stock levels yet improved stock availability and sales, cut lead times on orders, cut administration; and improved communication with our suppliers," says Mr Dave MacLennan, stock management director.

"The EDI costs are absolutely negligible. They are covered by our savings on the phone, fax and mail. That means we have all the business benefits for nothing."

The daily gathering of sales data on each store means orders can be placed on Tesco's eight warehouses as close as possible to the time the items will be sold. Supermarkets therefore need only minimal stocks, so they have more space for sales shelves.

All this is made possible by the simple gathering of data at the check-out.

The next step for retailers could be to eliminate the people who operate the bar



MUM's the word: an electronic catalogue system at Sainsbury's Pride &amp; Joy shops

code scanners and let the customers unwittingly become unpaid data entry operators.

This is already happening in unmanned petrol filling stations in parts of the US and Scandinavia. The system accepts a card and switches on the pump. It records the account details and the amount of fuel taken, thus capturing both payment and stock control data.

Such schemes have raised interest in the

idea of unmanned check-outs in supermarkets, with customers inserting money or payment cards in a machine and passing their purchases through a scanner.

Unmanned check-outs are still very much in their infancy, with only a handful of pilot trials in the US.

The ultimate step would be to remove not only the check-out operators from the shops but also the customers. They would shop from home using computer termi-

nals, typically based on the family television set equipped with a keyboard and connected over the domestic telephone line to a retailer's computer. Systems based on videotex systems such as the UK's Prestel have been set up but they have not had mass audiences.

Neither shoppers nor retailers really want home shopping, according to Tony Naudi, a consultant at Martec International, a retail industry research, consultancy and training firm based in Taunton.

"The technology is there but trials have never got anywhere," he says. "People like going to the shops and handling the goods. More important, retailers want them in the shops: a large percentage of items are bought on impulse, so the more a retailer can get customers to handle his goods, the more chance he has of selling them."

In addition, the proportion of older people is increasing and for many going shopping and mixing with other people is one of their few sources of companionship.

A compromise between going shopping and using home shopping technology is starting to emerge.

The development of multimedia systems, combining text, video and sound on a personal computer, has seen the

introduction of units which customers use themselves, typically by touching the screen to call up information. This might include details of products on show in the store or which can be ordered, or information about warranties, special offers and credit facilities.

The Sears chain is a pioneer in this field in the UK. Seven of its nine new Pride & Joy stores for expectant mothers are equipped with IBM PS/2 personal computers with touch-sensitive screens which act as electronic catalogues. Many products are physically on display, so customers can see and handle them, but the multimedia catalogues enable stores to show and describe big items such as nurseries furniture in strongly promotional ways without needing expensive floor space. Each store is no more than 2,000 square feet. The terminals also advise on things such as what to take to hospital and how to decorate a nursery.

The technology is available today for all these possibilities. But there is no clear picture yet of what - if anything - will replace the daily social visit to the corner shop, the weekly trip to the supermarket or the family outing to the furniture superstore.

There are many projects going on and retailers are interested in anything that helps part consumers from their misery, says Tony Naudi at Martec International. "But retailers are very hard-headed business people: unless something increases sales, they will not take it up, no matter how clever the technology might be."

## DISTRIBUTION

## A fresh direction in logistics

DISTRIBUTION and the broader function of logistics are now firmly established as a critical area of retail chain management.

In fact, claims Mr Angus Clark, systems and distribution director of food retailer J Sainsbury, "a policy for logistics is clearly a prerequisite for building a retail business in any sector of the market today." Retailer-led logistics development over the past decade has, in turn, put great pressure on manufacturers.

"To do business with retailers now, manufacturers not only have to have the right product, best quality and competitive prices, they also have to be able to respond quickly to customers' requirements and provide sound levels of service," says Mr Clark.

Many UK retail distribution systems, particularly in the food retailing sector, are enormous operations. Sainsbury's, for example, processes products from more than 1,000 suppliers through

contractor when employed, controls the final distribution through to the stores.

The establishment of centralised distribution networks has involved heavy investment by retailers and their distribution service contractors. Much of that investment has been phased in but some companies have opted - or been forced to opt - for more dramatic change. ASDA Stores, for example, developed a centralised distribution system at the start of the 1990s costing £170m over two years. Six fully composite centres were built and commissioned, together with a slow moving ambient centre and a transshipment operation.

Who is best-placed to run the retail industry's distribution systems is still being debated.

Some retailers have opted to bring back in-house parts of those operations which have for some time been contracted out to third party specialists.

Other retailers, though, are heading in the opposite direction and seeking to establish closer, wider-ranging partnerships with distribution service providers.

Such developments are confirmed by the Research Services Department of the Institute of Grocery Distribution in a 1991 study focusing on the involvement of third party specialists in the distribution operations of leading multiple stores. According to IGD, third party penetration of leading stores ranged from 35-45 per cent for ASDA, J Sainsbury and Tesco and 60-65 per cent for M&S, Gateway and Safeway, to 85-95 per cent for Iceland, Ewok Save and GWS, and 100 per cent for Wm Low and Grandways.

While the debate continues on handling distribution in-house or contracting out, retail industry observers agree other trends will continue to be influential.

In the words of Mr Irving Nixon, managing director of Worldwide Chain Store Systems International, in a paper presented at an IGD conference in London earlier this year: "Central distribution will continue, with fewer, larger units delivering more frequently to stores with full vehicle loads. And retailers' systems will continue to be further integrated to embrace all products to the store, from the warehouse right back to the supplier."

Philip Hastings

## Profile: LO-COST

## Food stores keep their cool

LOW-COST distribution of chilled and other temperature-controlled products has become an increasingly important feature of retail chain logistics.

A series of food safety scares during the late 1980s and the subsequent UK Food Safety Act of 1991 helped to highlight the importance of establishing and adhering to strict operational standards for the distribution and storage of temperature-sensitive food.

Faced with those pressures and the ever-present need to achieve greater efficiency and cost-savings, retailers have increasingly turned to third party specialists to run their so-called "cool chains". One such agreement is the award of a five-year contract by the

Argyll Group's Lo-Cost retail chain to Wincanton Distribution.

The agreement covers the warehousing and distribution of 300-400 different ranges of chilled foods - typically cheese, butter, other dairy products and meat - and fresh produce to 300 stores throughout the UK. A purpose-designed 156,000 square foot dedicated warehouse at Solihull, West Midlands, was acquired by Wincanton specifically to service the Lo-Cost contract. Around one-third of the warehouse is being used for chilled storage and those facilities now handle all Lo-Cost's centralised distribution of chilled products.

Supporting the centralised distribution centre are three

outbase centres in the south-west, south-east and north-west of England, a fleet of 16 vehicles, and a workforce of around 100 people. Before the agreement, Lo-Cost had primarily relied on chilled product manufacturers to deliver directly to its branches around the UK. It also used one small contracted operation.

Now, most manufacturers deliver goods into the Solihull centralised distribution centre, although some products are collected from the manufacturers by Wincanton using vehicles returning from delivery runs to the Lo-Cost stores.

"That backhaul operation is still fairly limited but it is growing. The advantage is it enables us to maximise the use

of the distribution fleet," says Mr Mike Burhege, managing director of Wincanton Distribution.

Communication between Lo-Cost, its suppliers and Wincanton is now increasingly an EDI (electronic data interchange) function. Individual stores relay their orders to the Solihull distribution centre via handheld terminals.

Goods held at the centre are called up from stock while details of goods not held at the distribution centre are passed on to the relevant manufacturers who deliver to Solihull. Wincanton then consolidates the products into individual store orders and organises the distribution of consignments.

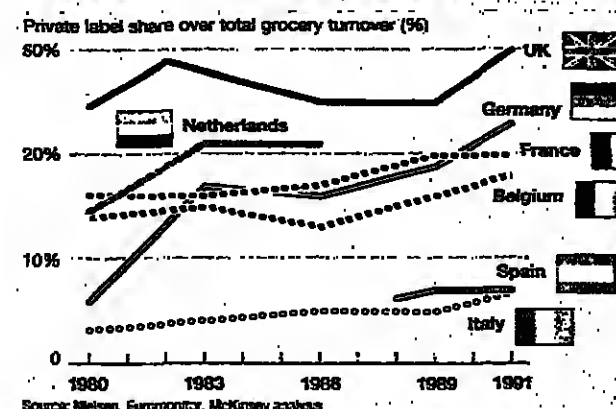
Philip Hastings

## Retail concentration by country



Source: Nielsen, McKinsey analysis

## Share evolution of private label in Europe



Source: Nielsen, Eurocom, McKinsey analysis

## Guy de Jonquieres on factors underlying the growth of private labels

## New challenge for big brands

FEW ISSUES have excited as much controversy in western consumer goods industries recently as the growth of sales by retailers of private-label products and the implications for branded manufacturers.

In one sense the issue is not new. In the US and much of western Europe, private-label ranges have long had a share of the grocery market. However, several developments have lifted the phenomenon further up the industry agenda.

The most dramatic was the decision in April by Philip Morris, the world's largest tobacco manufacturer, to slash the US price of Marlboro, hitherto considered one of the world's strongest brands, in an effort to stem loss of market share to the cheaper private-label cigarettes.

Though the nature of the product and Marlboro's previous policy of raising prices much faster than inflation made this a special case, it focused attention on the wider private-label challenge faced by other branded consumer goods producers.

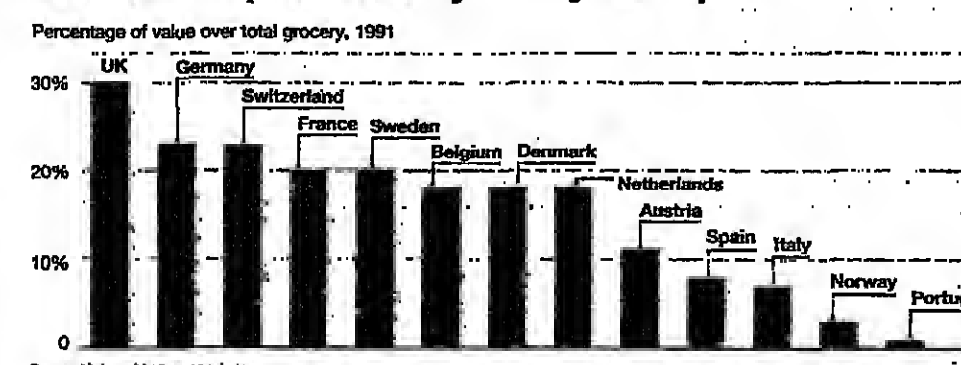
The recession has also boosted private-label products by making consumers more price-conscious. Though some observers see this as a cyclical phase, many others believe it is driven by structural changes in the consumer goods sector and by a longer-term switch in consumer attitudes.

A third factor has been the success of large UK retailers such as Marks & Spencer and J Sainsbury in developing private label into a category which competes not only on price but also increasingly on quality and sophistication.

In response to this other supermarket groups, notably those in continental Europe, have eyed enviously the hands other brands have earned from this formula.

But behind the private-label

## Penetration of private label by country in Europe



Source: Nielsen, McKinsey analysis

trend lies a much broader shift, under way for at least two decades.

As the retail trade has grown more concentrated, it has steadily gained power at the expense of manufacturers, the highest of which once dominated it completely.

The speed and characteristics of this shift in power differ between countries, reflecting a wide variety of local economic, social and business factors. So, too, does the nature of the private label business and the

British supermarkets view the private-label business as a means to increase their margins

retailer strategies underlying it.

In the US and most continental European countries, private-label has traditionally held a dowdy, bargain-basement image and has classically been applied to commodity items which sold largely on price.

According to McKinsey, the management consultants, the retailers' main motive behind their use of private labels has often been "vindictive", to eliminate small competitors and curb the power of branded manufacturers.

At the other end of the scale, leading British supermarkets derive a much higher proportion of their sales from private label - more than half in several cases - than their counterparts abroad.

They also view the private label business as a means to increase their margins, differentiate between products and enhance the power of their own brands.

In the process, they have not just captured sales from manufacturer brands, but have asserted growing strategic control over the development, quality standards and marketing of the products they sell.

The assertive lead taken by UK retailers has several origins. Marks & Spencer's success in building a 100 per cent private-label business, first in clothing and later in food.

Historically high commercial property prices, which have stimulated retailers to seek new sources of profit to cover the cost of their investments.

Development by leading retailers of highly efficient, centralised distribution systems which have greatly expanded their control over the supply chain.

Heavy investment in electronic point-of-sale and ordering systems to enable close monitoring of sales patterns.

Lack of competition from the small quality food retailers common on the Continent, where they are often heavily protected by regulation.

But for the stronger companies, the choice involves a delicate calculation of advantage. If they make private-label products, they risk weakening their own brands by setting up direct competitors.

But if they refuse to do so, they risk turning away profitable business which will be snapped up by competitors.

How this balance is struck in fact depends on a wide variety of factors, peculiar to individual products and companies. Furthermore, evidence suggests that many multinationals do not yet have a clear and consistent policy across Europe.

However, given the recent growth of private-label, and the changing relationship between retailers and manufacturers which underlies the growth, making the right choice seems likely to be of increasing importance to branded producer strategies.

whether increased competition from the hard discounters will prompt conventional supermarkets to respond in kind or to defend themselves by moving further up-market. But either way, the private-label challenge promises to confront branded manufacturers with increasingly difficult choices, not least because Aldi and some other hard discounters sell predominantly private-label goods.

At present, manufacturers are divided on how to respond. A few international brand leaders, such as Kellogg's, Coca-Cola and M&S, refuse to make private-label products at all. Others, including Unilever and Nestle, do so on a limited basis, largely to fill spare capacity.

Britain's United Biscuits, in contrast, has built a large specialised plant for private-label production, which generates about a third of its total UK sales. And many other smaller companies are dedicated exclusively to private-label production.

For some manufacturers, the decision to produce private label is dictated by weak market positions, which make it the only way to maintain sales volumes.

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## CROSS-BORDER TRADE

## Pace of expansion abroad quickens

RETAILING has long been one of the more fragmented of the world's industries. But now at last it is becoming more international as retailers look outside their home markets for acquisitions and alliances.

Indeed, the pace of cross-border expansion seems to have accelerated this year.

Tesco, the UK's second-largest food retailer, has acquired the 92-store Cateau chain in northern France, while Kingfisher took over Darty, France's largest electrical retailer. Outside the EC, Migros, the Swiss co-operative, has taken a dominant position in the Austrian grocery market through the acquisition of 112 Famila supermarkets from the Zumtobel group, and a joint venture with Konsum Österreich, Austria's largest supermarket group.

Rewe, Germany's largest grocery retailer, has taken a stake in UK grocery chain Indigene, while Toys 'R' Us, the US specialty retailer, has announced moves into Belgium and Switzerland.

But retail experts say the sudden acceleration in cross-border alliances and acquisitions is an illusion created by the high number of deals concluded this year. In fact, many retailers have been pursuing cross-border opportunities for several years.

Ahold of the Netherlands, Aldi and Tengelmann of Germany, and France's Promodès and Carrefour have already increased the proportion of sales outside their home countries to more than 30 per cent.

Mr Robert Clark, director of Corporate Intelligence Group, the UK retail research group, predicts that increasing numbers of retailers will expand abroad. His group has identified between 60 and 80 US companies with a firm plan to move into Europe.

Many leading European retailers, he says, are "crawling all over" neighbouring countries looking for opportunities. But he adds that large UK retailers - despite deals struck this year by Tesco and Kingfisher - are generally conspicuous in their lack of activity abroad.

"If they are not careful, UK retailers could get left behind," he warns.

And the pressures on retailers to expand overseas are building. The near-saturation of many core markets means they either have to use their retailing skills to diversify into different sales formats or product areas within their home country, or move into foreign markets.

But it is easy to underestimate the difficulties involved in expanding abroad. Successful retailing is a delicate balancing act, involving the delivery of the right goods and services to the local customer at the right price. Diverse tastes, cultures, and even climate mean the demands of customers vary considerably throughout Europe.

The need to provide different products to various markets can also mean cross-border expansion does not always lead to economies of scale, or increased buying muscle with suppliers.

And different legislation on areas such as opening hours, planning restrictions, VAT and minimum wages, can make operating conditions very different.

Ms Roseanne Marison, a retail expert with the Boston Consulting Group in London, says the key to international retailing success is first to "act local", making sure the new venture is viable posi-

tioned in the local market and responsive to that market's needs, and then to "think global", realising economies of scale where possible.

It is vital to conduct exhaustive research into customer demographics, tastes and pricing attitudes, and into competitors and sites.

After some notable past failures there is evidence that retailers have learned the need for a cautious, calculated approach to overseas expansion.

Tesco, for example, is using the relatively small Cateau acquisition to gain experience of operating in France. Rewe may be using its stake in Indigene in a similar way.

Migros is expanding initially into areas bordering Switzerland, where customers' tastes are similar to those in its home market, and has chosen as partner a diversified co-operative similar to itself.

Forming an alliance can be an attractive option to small and medium-sized companies lacking the financial muscle to acquire businesses or establish new operations abroad.

The UK's Institute of Grocery Distribution says there are four types of alliance. The first is purchasing-based alliances, designed to improve the buying power of members and develop new sourcing opportunities.

Another category is the development-based alliance, which is an agreement

Large UK retailers are generally conspicuous in their lack of activity abroad

between two retailers to co-operate on a project. It has often been used by a retailer keen to enter a new national market - for example, the venture between Tengelmann of Germany and Super of Italy. Tengelmann supplied management experience and know-how so that Super could consolidate its presence in Italy.

A third category is the skills-based alliance, which involves retailers sharing experience of different markets to their mutual benefit. An example is Belgium's GIB Group and the UK's J Sainsbury, which developed the Homebase chain using GIB's experience in the DIY market and Sainsbury's UK presence.

Another form is the multi-functional group, which combines elements of the other three types. Chief among these are the European Retail Alliance - made up of the UK's Argyl, Ahold of the Netherlands and France's Casino, and Associated Marketing Services, which includes the IFA members plus seven retailers from Germany, Switzerland, Sweden, Finland and Spain.

But several retailers, including Belgium's Delhaize, the UK's Tesco and Tengelmann of Germany, have avoided buying alliances, often because of the risk of being tied to partners who might become takeover targets in overseas expansion plans.

But despite the difficulties and teething problems, the new wave of internationalisation, especially through cross-border alliances, looks set to be one of the most important retailing trends of the 1990s.

Neil Buckley



## RETAIL CHAIN MANAGEMENT 3

Vanessa Houlder examines how some sections of the property sectors are bucking the downward trend

## Market shows signs of stabilising

RETAIL property remains a tenant's market. The lengthy recession, together with the surge in development in the late 1980s, has created a glut of empty premises and a steep decline in rental values.

Nonetheless, there are tentative signs that the market is stabilising. Moreover, some segments of the market such as food stores and retail warehouses have bucked the downward trend.

Tenants are forcing up rents and facing fierce competition to obtain suitable sites and planning consents.

Variations between different parts of the retail property market are striking. Over the two years to February 1993, rental values of town centre shop units and out-of-town shopping centres fell by 8 per cent and 1 per cent respectively, according to research group the Investment Property Databank.

By contrast, the rental value of retail warehouses rose by more than 6 per cent over the same period. Indeed, the buoyancy of the retail warehouse sector has been one of the most

notable features of the property recession.

This has been due partly to a limited supply of space since retail warehouse units are rarely built without a letting agreement from a tenant. At the same time, growing requests from retailers to take space away from the town centres on sites that are visible, accessible and have ample car-parking space has boosted demand.

This trend, which gathered momentum during the 1980s, was led by the supermarket groups, along with stores selling do-it-yourself equipment, furniture, and home furnishings. In fact the trend has continued with traditional high street retailers, including Comet, Currys and Halfords, opening out-of-town units.

Demand from tenants may soon begin to stimulate devel-

opment of some of the 18m sq ft of retail warehouse parks that now have planning consent. According to Hillier Parker, chartered surveyors, there are "clear signs of interest" in retail park development beginning to re-emerge.

The same cannot be said for any significant renewal in development of shopping centres, a market that is currently in the doldrums. Just over 2m sq ft of shopping centre floor-space was under construction in December 1992, down from more than 7m the previous year, according to Hillier Parker. And more than 1m sq ft of shopping centre floor-space originally scheduled for completion during 1991 and 1992 failed to open.

Indeed shopping centre development is likely to remain subdued. Hillier Parker expects it "to take at least two

or three years" for the shopping centres opened since the onset of recession to be filled up.

The future of out-of-town shopping centres does not simply depend on a revival of demand from retailers. It also depends on the outcome of a

**Growing requests from retailers to take space away from the town centres on sites that are visible, accessible and have ample car-parking space has boosted demand**

debate between those who believe out-of-town centres are complementary to the needs of town centres and those who believe they are highly damaging.

The government's policy on out-of-town shopping centres was updated last October, when the Department of the

Environment issued a new planning policy guidance note, known as PPG6. The guidance note emphasised the need to revitalise town centres, rather than promote large out-of-town stores.

It said that regional out-of-town shopping centres "would

ment's decision in March to approve the development of the Trafford Shopping Centre, the first regional shopping centre in the north-west of England.

The decision was strongly criticised by local councillors, town centre retailers and property owners who claimed that 1m sq ft of new shops on the outskirts of Manchester would further damage business in the city.

But the Trafford Centre may turn out to be the last regional shopping centre to be granted planning consent - most of the country is now within reach of a regional centre, with the exception of the south-west of England.

The arguments on regional centres also apply to other types of out-of-town stores. For instance, "club warehouses" and factory outlets - the US-

style discount stores which are beginning to take root in the UK - are seen as a potential threat to town centres by many retailers.

Supermarket groups are also at the centre of the debate about out-of-town shopping, since they are continuing with ambitious programmes to open out-of-town superstores.

Similar criticisms to regional shopping centres apply - the growth of out-of-town food stores is hastening the demise of local shops. The number of grocery shops has fallen in the last three decades from more than 100,000 to 40,000.

Such criticisms may increase as the large supermarket groups target smaller towns. Chesterton, the chartered surveyors, says that the proportion of large new food stores located in small towns has increased from less than 10 per

cent in 1990 to about 25 per cent today.

Finding suitable sites is a growing constraint on the supermarket groups' expansion. Moreover, the difficulty in securing suitable sites is a severe obstacle for newcomers to the market, such as Aldi and Netto, discount food retailers, attempting to gain ground in the UK.

"It is clear that the newcomers have encountered greater-than-foreseen difficulties in obtaining suitable sites and planning consents in a highly competitive property market," says research company Corporate Intelligence Group.

Indeed for the retail sector as a whole, intense competition for premises is now the exception rather than the rule.

But UBS, the brokers, believes it unlikely that retailers in general will be looking to take additional space in preparation for an upturn in consumer confidence. "Whereas the late 1980s saw a 'race for space', the emphasis now is one of rationalisation and the restoration of profit margins", it says.

Neil Buckley discusses new formats in the money-conscious 1990s

## US takes the cut-price lead

Trafford Park, Manchester, and Thurrock, Essex.

Nurdin & Peacock, the UK cash and carry chain, has taken space at Wednesbury in the West Midlands and on the Valley Park development in Croydon, south London.

And, most recently Littlewoods, the privately-owned retailing and football pools organisation, has formed a joint venture with Price Club Canada, a subsidiary of the second-largest warehouse club operator in the US, saying it aims to open at least one warehouse club in the UK this year.

But many retail experts are sceptical about UK and continental Europe warehouse clubs' ability to keep costs low enough and volumes high enough to secure adequate rates of return on investments.

Factory outlet malls are another US format heading for Europe. These have grown almost as rapidly in the US as warehouse clubs, to 270 in less than 10 years, with another 160 in the pipeline.

Again, the UK could be the testing ground. There are more than 1,100 small factory clearance outlets in the UK, selling goods cheaply, either because they are cutting out the middle man or they are selling factory over-makes, end-of-line or returned stock. A relatively new concept is

grouping such outlets together in a large mall.

The idea was pioneered in the UK in the late 1980s by the Hornsea Retail and Leisure Park in Rumburgh. This is where manufacturers including Aquascutum, Laura Ashley and Wrangler are able to sell goods at about 30 per cent below high street prices.

Hornsea attracted more than 800,000 visitors last year, and other developers are keen to harness the format's potential. At least three groups, including Value Retail,

**Factory outlet malls are heading for Europe. These have grown almost as rapidly in the US as warehouse clubs**

a consortium of US and UK developers: Prime Group, of America, Richardson Developments and Tarmac consortium; and UK developer Factory Outlet Shopping Centres, plan to open factory outlet malls in the UK and continental Europe.

Again, some commentators are sceptical about factory outlet malls' prospects in Europe. Despite the growing price awareness among shoppers, the appeal of buying out-of-season fashions from out-of-town malls is largely untested.

But high-volume discount retailing has been only one of two important trends in US retailing in the late 1980s. The other is the growth of specialty retailers known as category killers - highly-efficient operators which sell a wide range of goods within a narrowly-defined consumer market at discount prices, usually from low-cost edge-of-town superstores.

Their aim is to kill off the competition in their product category.

Category killers have already arrived in the UK. Toys 'R Us is the best-known example, and has revolutionised the UK toy industry, building a 20 per cent market share and leading to the demise of many small, specialist chains. The US chain has recently announced plans to move into Belgium and Switzerland.

There is also Ikea - not another US store, but a Swedish furniture and home furnishings chain operated on the category-killer principle.

It has been highly successful in a number of European countries and has slow but steady expansion plans.

Another example is PC World, the computer superstore concept brought to the UK by Jan Murray, chairman of Vision Technology Group. Mr Murray recently sold the company to Dixons, the UK's largest electronics retailer which aims to open up to 30 PC Worlds within three years.



Start of the road: US-style factory outlets are on the way to the UK

What the next retailing import from the US might be is less clear. Some commentators believe it could be large, discount variety stores similar to those run by Wal-Mart, the world's largest retailer. But high land costs could prevent these operating effectively in the UK.

Industry analysts believe that in the long run the nature of shopping could change radically, with customers buying more and more products from the comfort of their own homes.

Mail order and home shopping currently accounts for between 3 and 6 per cent of all retail sales.

But many believe its share will gradually decline, because mail order's traditional advantages - availability of credit, convenience, home delivery and low prices

- have been eroded by the developments in high street retailing. And despite home shopping advantages, it seems shoppers still prefer to buy their goods in the shops.

"The long-term trend is definitely down," says Mr Richard Hyman, director of Verdict, the UK retail market research group.

Others believe new technology such as interactive video systems, and computer systems to process orders automatically, will eventually enable customers to choose goods from TV screen catalogues - orders and payments are carried out by tapping into a key pad.

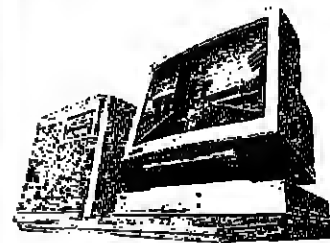
Indeed, home shopping made easy could divert sales from the high street, sparking off potentially the biggest revolution yet in the retail industry.

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**LONDON SHARE SERVICE**

## AMERICANS

BUILDING MATERIALS		1993		1994	
	Price	% Chg.		Price	% Chg.
Asphalt	10	-	Asphalt	10	-
Brick	340	-	Brick	340	-
Concrete	240	-	Concrete	240	-
Gravel	110	-	Gravel	110	-
Insulation	25	-	Insulation	25	-
Lumber	100	-	Lumber	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
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Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
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Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-
Shingles	100	-	Shingles	100	-
Windows	100	-	Windows	100	-
Doors	100	-	Doors	100	-
Flooring	100	-	Flooring	100	-
Paint	100	-	Paint	100	-
Plumbing	100	-	Plumbing	100	-
Electric	100	-	Electric	100	-
HVAC	100	-	HVAC	100	-
Sanitary	100	-	Sanitary	100	-
Structural	100	-	Structural	100	-
Roofing	100	-	Roofing	100	-

**BUILDING MATERIALS - Cont.**

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
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**CONTRACTING & CONSTRUCTION - Cont.**      **ENGINEERING-GENERAL - Cont.**

Value	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000
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**HOTELS & LEISURE - Cont**[illegible]

## + or 199

[illegible]

Yhd. - Yhd.

-	181.8	12.5
0.4	58.1	14.7
6.5	61.8	18.8
71.9	-	144.4
2.3	159.9	11.5
5	113.2	14.7
5.9	73.8	20.0
4	436.0	18.7
3	29.8	21.8
13.7	17.7	14.5
1.2	361.0	17.3
0.4	371.1	-
6.8	40.5	11.3
2.9	181.7	15.8
1.7	142.3	10.8
2.3	177.3	-4.5
5.8	104.9	0.4
2.3	32.8	-
1.8	187.3	23.0
1.8	48.7	-3.8
3.0	438.8	23.8
8.5	-	24.0
10.3	103.5	6.7
3.5	33.6	21.1
18.2	-	182.3
4.5	123.3	0.4
70.5	-	129.7
-	129.3	57.4
2.9	251.3	14.5
14.2	246.6	45.9
-	1106.0	10.8
9.1	-	-
7.7	-	-
3.6	154.4	12.1
-	215.0	0.4



## LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Trust Name	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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Only leading prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.





● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (877) 873-4378 for more details.

## OTHER UK UNIT TRUSTS



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

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July, 1915



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## 4.

CANADA

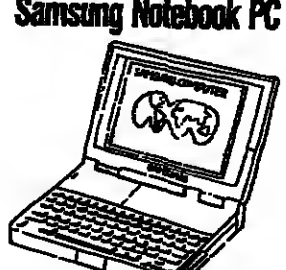
Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change
TORONTO																	
4 pm Close June 14																	
Currencies in Canadian dollars unless noted																	
800 Alibi Pl	\$14.75	14.75	14.75	+1/4		217490	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
17500 Air Can	\$16.00	16.00	16.00	+1/4		68872	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
11778 Alcan	\$20.00	20.00	20.00	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
14000 Alcan	\$15.50	15.50	15.50	+1/4		127415	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
23045 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
500 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
60001 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
58555 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
17500 Air Can	\$16.00	16.00	16.00	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
11778 Alcan	\$20.00	20.00	20.00	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
14000 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
23045 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
500 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
60001 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
58555 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
17500 Air Can	\$16.00	16.00	16.00	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
11778 Alcan	\$20.00	20.00	20.00	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
14000 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
23045 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
500 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
60001 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
58555 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
17500 Air Can	\$16.00	16.00	16.00	+1/4		30027	Manitoba	\$2.75	2.75	2.75		330850	Shawcat	\$40.00	39.75	40.00	
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60001 Alcan	\$15.50	15.50	15.50	+1/4		30027	Manitoba	\$2.75	2.75	2							



## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

NEW YORK STOCK EXCHANGE COMPOSITE PRICES									
Symbol	Company	Price	Change	Volume	High	Low	Open	Close	Adj. Close
100	IBM Corp	110.00	+0.25	1,200,000	110.25	109.75	110.00	110.25	110.00
101	Microsoft Corp	45.00	+0.50	800,000	45.50	44.50	45.00	45.50	45.00
102	Apple Computer Inc	55.00	+0.75	600,000	55.75	54.25	55.00	55.75	55.00
103	Oracle Corp	35.00	+0.50	400,000	35.50	34.50	35.00	35.50	35.00
104	Sun Microsystems Inc	25.00	+0.25	300,000	25.25	24.75	25.00	25.25	25.00
105	Novell Inc	20.00	+0.25	200,000	20.25	19.75	20.00	20.25	20.00
106	Lotus Development Corp	15.00	+0.25	150,000	15.25	14.75	15.00	15.25	15.00
107	Intuit Inc	12.00	+0.25	100,000	12.25	11.75	12.00	12.25	12.00
108	Parsons Technology Inc	10.00	+0.25	80,000	10.25	9.75	10.00	10.25	10.00
109	Veritas Software Corp	8.00	+0.25	60,000	8.25	7.75	8.00	8.25	8.00
110	Sequent Software Inc	7.00	+0.25	50,000	7.25	6.75	7.00	7.25	7.00
111	3Com Corp	6.00	+0.25	40,000	6.25	5.75	6.00	6.25	6.00
112	NetScape Communications Inc	5.00	+0.25	30,000	5.25	4.75	5.00	5.25	5.00
113	WebTV Networks Inc	4.00	+0.25	20,000	4.25	3.75	4.00	4.25	4.00
114	Electronic Data Systems Corp	3.00	+0.25	15,000	3.25	2.75	3.00	3.25	3.00
115	Computer Associates International Inc	2.00	+0.25	10,000	2.25	1.75	2.00	2.25	2.00
116	PerkinElmer Inc	1.00	+0.25	5,000	1.25	0.75	1.00	1.25	1.00
117	Amgen Inc	120.00	+1.00	1,000,000	121.00	119.00	120.00	121.00	120.00
118	Genentech Inc	80.00	+0.50	800,000	80.50	79.50	80.00	80.50	80.00
119	Novartis AG	60.00	+0.50	600,000	60.50	59.50	60.00	60.50	60.00
120	Roche Holding AG	40.00	+0.50	400,000	40.50	39.50	40.00	40.50	40.00
121	Novartis AG	30.00	+0.50	300,000	30.50	29.50	30.00	30.50	30.00
122	Novartis AG	20.00	+0.50	200,000	20.50	19.50	20.00	20.50	20.00
123	Novartis AG	10.00	+0.50	100,000	10.50	9.50	10.00	10.50	10.00
124	Novartis AG	5.00	+0.50	50,000	5.50	4.50	5.00	5.50	5.00
125	Novartis AG	2.00	+0.50	20,000	2.50	1.50	2.00	2.50	2.00
126	Novartis AG	1.00	+0.50	10,000	1.50	0.50	1.00	1.50	1.00
127	Novartis AG	0.50	+0.50	5,000	1.00	0.00	0.50	1.00	0.50
128	Novartis AG	0.25	+0.50	2,000	0.75	-0.25	0.25	0.75	0.25
129	Novartis AG	0.10	+0.50	1,000	0.60	-0.50	0.10	0.60	0.10
130	Novartis AG	0.05	+0.50	500	0.55	-0.50	0.05	0.55	0.05
131	Novartis AG	0.02	+0.50	200	0.52	-0.50	0.02	0.52	0.02
132	Novartis AG	0.01	+0.50	100	0.51	-0.50	0.01	0.51	0.01
133	Novartis AG	0.00	+0.50	50	0.50	-0.50	0.00	0.50	0.00
134	Novartis AG	0.00	+0.50	25	0.50	-0.50	0.00	0.50	0.00
135	Novartis AG	0.00	+0.50	10	0.50	-0.50	0.00	0.50	0.00
136	Novartis AG	0.00	+0.50	5	0.50	-0.50	0.00	0.50	0.00
137	Novartis AG	0.00	+0.50	2	0.50	-0.50	0.00	0.50	0.00
138	Novartis AG	0.00	+0.50	1	0.50	-0.50	0.00	0.50	0.00
139	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
140	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
141	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
142	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
143	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
144	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
145	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
146	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
147	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
148	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
149	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
150	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
151	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
152	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
153	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
154	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
155	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
156	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
157	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
158	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
159	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
160	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
161	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
162	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
163	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
164	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
165	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
166	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
167	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
168	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
169	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
170	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
171	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
172	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
173	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
174	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
175	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
176	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
177	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
178	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
179	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
180	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
181	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
182	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
183	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
184	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
185	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
186	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
187	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
188	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
189	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
190	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
191	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
192	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
193	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
194	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
195	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
196	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
197	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
198	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
199	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00
200	Novartis AG	0.00	+0.50	0	0.50	-0.50	0.00	0.50	0.00

TECHNOLOGY THAT WORKS FOR LIFE



80486SX/25 Mhz  
Removable HDD  
Inter Key Mouse

SAMSUNG  
ELECTRONICS

Continued on next page







## AMERICA

US markets  
cautious ahead  
of CPI data

## Wall Street

US share prices were flat to firm across the board yesterday morning as dealers and investors braced themselves for the second set of important inflation data in three days, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was up 6.09 at 3,511.10. The more broadly based Standard & Poor's 500 was 0.45 higher at 447.41, while the Amex composite was 0.35 lower at 433.89 and the Nasdaq composite up 2.69 at 695.88. Trading volume on the NYSE was 123m shares by 1 pm, and declines outnumbered rises by 889 to 874.

After last Friday's promising producer prices report for May (the producer price index was flat for the month), which helped assuage fears that a resurgence in inflation would force up interest rates, the markets opened in a broadly positive mood. Further gains in Treasury prices, which pushed bond yields lower, also helped improve equity investor sentiment.

The advance in stocks, however, was modest, and the Dow struggled all morning to post double-digit gains in light trading. A fear of trading ahead of today's consumer prices data was behind the markets' subdued showing.

Although analysts are forecasting that the consumer price index for May will have risen by only 0.2 per cent, dealers and investors were aware that a surprisingly strong CPI number could derail both stocks and bonds.

Among individual stocks, Eastman Kodak jumped 2% to \$53.41 in volume of 1.3m shares after the company unexpectedly announced plans for a meeting with investors and analysts today. Kodak did not explain why it was calling the meeting, but analysts speculated that the company may

announce some form of restructuring.

Technology stocks, which have been seen as a wild card in recent trading sessions, remained mixed to heavy trading yesterday. Hewlett-Packard climbed 1% to \$88.4, Compaq up 1% to \$55.4, and Motorola added 3% to \$95.4, while Digital Equipment held steady at \$43. Unisys slipped 3% to \$11.1 and IBM fell 3% to \$61.7. US Surgical fell 3% to \$22.9 in volume of 1.4m shares as investors got the first chance to respond to Friday's forecast that the company's restructuring programme added to the general mood of despondency as the Comit index ended 4.45 lower at \$27.44.

Montedison was suspended yesterday after a fall of 14 per cent to \$340. Attempts to fix the price were later aborted as unofficial trading saw the stock quoted as low as \$170. Ferruzzi sank another 1% to \$10.9 and L'Oréal fell 1% to \$68.7.

The day's share price lost ground on futures-led selling, in the thinnest trading for three months, writes Emilio Terzano in Tokyo.

Volume fell to 25m shares, its lowest since March 3. A total of 645.7m shares changed hands last Friday on futures-led trading. The Nikkei average lost 103.69 to 20,977.35 after a high of 20,950.08 to the morning session and a low of 20,851.47 in the afternoon.

Declines led advances by 737 to 276, with 172 issues unchanged. The Topix index of all first section stocks shed 1.58 to 1,689.46. In London the FTSE 100 index edged up 0.50 to 1,246.06.

The dollar closed at ¥105.20, up ¥1.12. Uncertainty over the effects on corporate profits unnerved investors, who remained on the sidelines. Meanwhile, research divisions of leading Japanese brokers revised down profits forecasts for the current year to March due to the recent strength of the yen.

## EUROPE

## Senior bourses feature mixture of performances

BOURSES produced a varied performance yesterday, especially where the peripheral markets were concerned, writes Our Markets Staff.

MILAN got little support from Friday's after hours discount rate cut, as attention remained firmly fixed on Ferruzzi and Montedison. Rumours over the weekend suggested that two candidates had turned down invitations to head the group's restructuring programme added to the general mood of despondency as the Comit index ended 4.45 lower at \$27.44.

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Most forecasts, however, are based on an exchange rate of around ¥110 to ¥114 to the dollar. Daiwa Research Institute said a rise of ¥1 against the dollar would depress pre-tax profits on an all-industry basis by 0.4 per cent.

Exporters were hit by the higher yen, with Toshiba, the world's most active issue, falling ¥16 to ¥714 and Hitachi dipping ¥4 to ¥855. However, electric power utilities, which import fuel, were among the top gainers, the sector rising by 1.7 per cent. Tokyo Electric Power advanced ¥7 to ¥2,860.

Dai, the supermarket chain, announced that it will absorb three affiliated retail-

ers: Chujitsu, listed on the Tokyo SE first section, Uned Dai, listed on the second section of the Osaka SE, and the unlisted Daihatsu. Trading was suspended for the three companies.

Shikoku, a construction company belonging to the Daiji group, surged ahead ¥110 to ¥1,110, and other retailers advanced on hopes of similar moves in the industry. Matsuya appreciated ¥38 to ¥780.

The higher yen encouraged hopes of lower interest rates. Banks firmed on hopes of wider profit margins, with Industrial Bank of Japan gaining ¥10 to ¥3,040 and Bank of Tokyo ¥40 to ¥1,510.

Koami, the video game maker, climbed ¥180 to a year's high of ¥4,510 on hopes of strong earnings. The company's move to change the minimum trading unit of its stock to 100 shares from 1,000 also encouraged investors.

In Osaka, the OSE average receded 151.59 to 22,594.59 in volume of 11.6m shares.

Roundup

THE MUTED share price tone in Tokyo was mostly echoed in the Pacific Basin region, where Hong Kong and Australia were closed for public holidays.

SINGAPORE was led down by banks and shipyards as spillover selling from last Friday dampened trade. The Straits Times Industrial index slipped 10.42 to 1,942.63, losers including UOB Foreign, DBS Foreign, Sembawang Shipyard and Sembawang Maritime. Volume expanded from 227.95m to 311.18m shares. Malaysian stocks continued to see active trading amid strong over-the-counter speculative buying in selected issues such as Renong and Kiri.

KUALA LUMPUR eased back after last Friday's high on

## FI-SE - Actuaries Share Indices

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Actuaries 100	1183.33	1183.00	1182.71	1182.82	1182.98	1182.97	1181.96	1181.69
FT-SE Actuaries 200	1235.18	1235.64	1235.55	1235.82	1235.74	1237.11	1235.43	1234.85

	June 11	June 10	June 9	June 8	June 7
FT-SE Actuaries 100	1181.85	1181.45	1181.59	1180.70	1187.78
FT-SE Actuaries 200	1232.37	1230.25	1230.01	1218.08	1218.98

Amsterdam's CBS Tendency index rose 1.3 to 108.4. Lehman Brothers forecast that interest rates in the Netherlands, now the lowest in Europe, "will remain below those in Germany for the foreseeable future".

Hoogovens continued to improve following last week's gains, yesterday putting on FI 1.60 to FI33.70 while another cyclical, DSM, rose FI1.60 to FI8.20.

Interest in cyclical stocks has developed following a Goldman Sachs note in which Mr Philip van den Berg forecasts that they will outperform the market by 5-10 per cent over the next 12 months, esti-

Ms Deborah Boys, technical analyst at James Capel in London, said that between two and three weeks ago the sector was approaching the historic lows it had seen in 1988, 1991 and 1992. "If it had broken below previous lows," she said, "we would have been looking at a major downgrading involving a large sector of the market, and investors were not prepared to accept this."

ZURICH continued its consolidation, the SMI index dropping 14.1 to 2,294.2. Chemicals saw profit-taking, with Sandoz certificates, down SFr60 at SFr3,170.

BRUSSELS rose on hopes of a Bundesbank interest rate cut this Thursday, the Bel-20 index ending 10.89 higher at 1,224.44 to volume of 86m shares.

The video screen producer, Barco, rose BFr75, or 6.3 per cent to BFr1,585. However, the interest rate sensitive majors also moved well, Electrabel rising BFr90 to BFr5,880 in a strong utilities session and, in banks, Générale de Banque putting on BFr140 to BFr1,800. VIENNA extended last

week's pickup with a gain of 1.5 per cent, the ATX index closing 12.46 higher at 850.19. The market was led up by Verbund, Austria's national electricity supplier, which leapt by Sch40, or 7.3 per cent to Sch590 on aggressive buying by a foreign investor.

WARSAW went limit up instead of limit down, excess demand forcing the bourse to suspend trade in 11 stocks as the WIG index jumped 253, or 9.6 per cent to 2,890.8. Because of the suspensions, turnover was the lowest in three months at about 42m zloty.

ISTANBUL responded to the appointment of Mrs Tansu Ciller as prime minister with a 10.5 per cent gain in the market index, up 925.16 to 9,760.67.

Ms Nur Pekin of Schroders in London said that the market was enthusiastic about the appointment since Mrs Ciller had been responsible for legislation earlier this year which had encouraged equity investment, and had led to a rise in the market index of some 136 per cent since the start of the year.

## ASIA PACIFIC

## Nikkei under pressure as yen hits a new record high

## Tokyo

THE YEN'S rise to a new post-war high soured investor confidence, leading to a loss of ground on futures-led selling, in the thinnest trading for three months, writes Emilio Terzano in Tokyo.

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KUALA LUMPUR eased back after last Friday's high on

Prime Minister Mahathir Mohamad's visit to China, and the market's projection of lucrative deals for Malaysian companies.

The KLS composite index closed 3.13 down on the day at 742.16 after setting an intraday all-time high of 763.54 which, as in Singapore, was reflected in speculative activity in smaller Malaysian companies. Volume climbed from 635.9m to 808.2m shares.

SEOUL fell for the fourth consecutive session on profit-taking in thin trading, the composite stock index weakening 8.39 to 759.47 in turnover down from Won644.06bn to Won566.95bn.

TAIWAN's weighted index dropped 43.97 to 4,177.20 as turnover fell to \$711.7bn, its lowest in a full session since January.

Conflict within the ruling Nationalist party ahead of local government elections at

the end of this year, and an official investigation into irregular stock trade, continued to hurt sentiment.

KARACHI marked Pakistan's budget day with the KSE index 1.27 higher at 1,183.73, but, in BOMBAY, last week's depressive kerb trade phenomenon continued.

Indian brokers reported no buy enquiries at all as the BSE index closed 436.35 lower at 2,367.64, and as major blue chips fell around 1 per cent further on the kerb.

BANGKOK defied the general trend in the region, rising strongly across the board in active trade following Saturday's parliamentary defeat of the opposition's motion of no confidence in the government.

The SET index ended 15.10, or 1.8 per cent, higher at 868.24 in turnover of Bfr7.40bn, the highest daily trade in four months.

## Europe offsets declines in US and Japan

MARKETS IN PERSPECTIVE	% change in local currency			% change sterling		
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1992	Start of 1991
Australia	+2.29	+4.37	+13.01	+4.45	+4.90	+5.70
Belgium	+2.06	+1.01	+3.30	+9.04	+7.57	+8.38
Denmark	+1.90	+2.60	+6.45	+15.30	+15.81	+16.88
Finland	+1.06	+3.66	+49.36	+39.30	+29.82	+30.81
France	+2.68	+3.06	+0.13	+5.41	+5.36	+6.78
Germany	+2.38	+2.08	+3.38	+8.44	+8.23	+9.04
Ireland	+0.73	+2.34	+17.54	+30.45	+18.93	+20.84
Italy	+0.65	+0.55	+20.73	+25.95	+24.53	+25.48
Netherlands	+2.26	+2.17	+0.01	+12.03	+11.21	+12.05
Norway	+2.46	+3.88	+10.02	+10.00	+10.83	+11.50
Spain	+1.10	+1.52	+5.17	+21.13	+10.88	+11.50
Sweden	+1.50	+1.85	+14.86	+10.00	+7.20	+8.02
Switzerland	+1.20	+0.94	+21.91	+12.92	+13.30	+14.16
UK	+1.14	+0.78	+10.71	+2.23	+2.23	+3.01
EUROPE	+1.39	+1.52	+8.84	+7.60	+6.94	+7.75
Australia	+1.08	+1.32	+0.71	+8.35	+8.33	+7.13
Hong Kong	+1.83	+4.21	+20.84	+33.45	+33.69	+33.69
Japan	+0.78	+3.14	+24.04	+24.94	+45.36	+47.09
Malaysia	+2.48	+4.98	+49.62	+30.48	+31.78	+32.77
New Zealand	+1.70	+4.11	+6.35	+8.17	+13.40	+14.27
Singapore	+0.69	+3.08	+12.87	+18.95	+20.32	+21.24
Canada	+0.64	+0.17	+6.34	+10.47	+8.91	+9.74
USA	+0.72	+1.72	+9.69	+2.55	+1.78	+2.55
Mexico	+0.79	+2.05	+8.73	+12.31	+13.13	+12.48
South Africa	+0.47	+0.38	+5.60	+25.48	+31.01	+32.00
WORLD INDEX	+0.20	+2.12	+12.96	+10.86	+16.27	+16.15

Based on June 11th 1993. Copyright: The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

## By John Pitt

EUROPE'S senior equity markets showed solid gains last week, contrasting negative movements in Finland, Norway, Sweden and Spain. Elsewhere in the world, falls in the US and Japan - the former unnerved all week by unfounded worries regarding a rise in inflation - helped to push the FT-Actuaries World Index slightly lower.

Commenting on the situation in Europe, John Pitt, a strategist at Barclays de Zoete Wedd in London, remains cautious. He believes that, while the underlying feeling is for further rate cuts, the likelihood is that, in the short term, falls will only offset more bad monetary news.

On a 12-month view, he forecasts German interest rates at around 4 per cent but sees no alteration from the present "sausage slice" approach, employing incremental cuts rather than aggressive reductions.

This latter point is taken up

by the broker UBS, which observes, in its latest global research weekly, that the Bundesbank is trying to bring down short term rates "in such a way as to not undermine its own credibility and that the D-Mark - with inflation remaining well above its medium term objective and fiscal policy out of kilter, an aggressive easing would look like panic".

Spain eased over the week following the re-election of the Socialist government. Goldman Sachs notes that investors should expect short-term interest rates to fall, with underperformance since many market participants had been forecasting a victory for the Partido Popular.

While reducing its short term weighting in Spain, Goldman remains overweight on a 12-month view, given what it calculates as the market's current bias to 40 per cent under-valuation.

Malaysia featured among rising Asian markets on hopes of trade deals with China as Mr Mahathir Mohamad, the prime minister, prepared to visit Beijing.

Thanks for the  
vote of confidence.

LIFFE's Three Month ECU

LIFFE's ECU Designated  
Market Makers

We've received two big ticks from investors over the last year.

The first is for the Three Month ECU futures contract itself. From June 1992 to May 1993, open interest is up 180% and volume 140%.

LIFFE's designated market maker scheme for the Three Month ECU contract has also worked very well, and has been one of the major reasons for this spectacular growth, together with LIFFE members' growing

involvement in the contract.

The six major institutions listed below ensure liquidity on request as designated market makers, and are renewing - indeed strengthening - that commitment from today.

For further details on the ECU contract, the designated market maker scheme, the new commitment and a list of members who actively broke the contract, please contact LIFFE's Business Development Department.

The following will continue to ensure liquidity as designated market makers for the Three Month ECU:

First Chicago Futures Inc

(acting on behalf of First National Bank of Chicago)

Istituto Bancario San Paolo di Torino S.p.A.

Kreditbank N.V.

Midland Futures/Div Midland Bank Plc

(acting on behalf of Hong Kong & Shanghai Banking Corporation)

NatWest Futures Limited

(acting on behalf of National Westminster Bank Plc)

UBS Futures & Options Limited

(acting on behalf of Union Bank of Switzerland)

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